盈健醫療
HUMAN HEALTH

Human Health Holdings Limited
盈健醫療集團有限公司

(Incorporated in the Cayman Islands with limited liability)
Stock Code: 1419

2018
Annual Report

CONTENTS

In case of any inconsistency, the English text of this annual report shall prevail over the Chinese text.

Corporate Information

EXECUTIVE DIRECTORS

Mr. Chan Kin Ping
(Chairman and Chief Executive Officer)
Dr. Pang Lai Sheung
Dr. Sat Chui Wan
Mr. Poon Chun Pong

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

AUDIT COMMITTEE

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

REMUNERATION COMMITTEE

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

NOMINATION COMMITTEE

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping
Mr. Sin Kar Tim

COMPANY SECRETARY

Ms. Man Ching Yan, *CFA ACIS ACS*

AUTHORISED REPRESENTATIVES

Dr. Sat Chui Wan
Ms. Man Ching Yan

REGISTERED OFFICE

Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HEADQUARTERS AND PRINCIPAL PLACE OF BUSINESS IN HONG KONG

11/F., TAL Building
45-53 Austin Road
Tsim Sha Tsui
Kowloon, Hong Kong

LEGAL ADVISER TO THE COMPANY AS TO HONG KONG LAW

Howse Williams Bowers
27th Floor, Alexandra House
18 Chater Road
Central, Hong Kong

AUDITOR

Ernst & Young, Certified Public Accountants
22/F., CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

PRINCIPAL SHARE REGISTRAR AND TRANSFER OFFICE

Conyers Trust Company (Cayman) Limited
Cricket Square
Hutchins Drive
P.O. Box 2681
Grand Cayman, KY1-1111
Cayman Islands

HONG KONG BRANCH SHARE REGISTRAR AND TRANSFER OFFICE

Tricor Investor Services Limited
Level 22, Hopewell Centre
183 Queen's Road East
Hong Kong

PRINCIPAL BANKER

Bank of China (Hong Kong) Limited
Bank of China Tower
1 Garden Road, Central
Hong Kong

WEBSITE

www.humanhealth.com.hk

SHARE INFORMATION

Place of listing:	Main Board of The Stock Exchange of Hong Kong Limited
Stock code:	01419
Listing date:	1 April 2016
Board lot:	2,000 ordinary shares
Financial year end:	30 June

Chairman's Statement

Mr. Chan Kin Ping
Chairman and CEO

Dear Shareholders,

On behalf of the board (the "**Board**") of directors (the "**Directors**") of Human Health Holdings Limited ("**Human Health**" or the "**Company**") and its subsidiaries (collectively the "**Group**", "**we**" or "**our**"), I am pleased to present the annual report of the Group for the year ended 30 June 2018 ("**FY2018**").

BUSINESS DEVELOPMENT WITH PROMISING RESULTS

During FY2018, profit for the year has increased by approximately 84% as compared with that of the year ended 30 June 2017 ("**FY2017**"). The promising result is definitely attributable to the successful execution of our key strategies. We have continued to focus on our core business while widening our business scope to a variety of services which has further strengthened our industry-leading position and realise our goal as an all-round integrated medical services platform.

We understand that it is particularly crucial for the Group to engage and retain professional talent and hence provide quality services to our customers. During FY2018, we strived to cultivate a mutually beneficial and trusting relationship with our professional team members by formulating and implementing an incentive scheme to attract and retain talented professionals, as such our prominent professional team has been enriched.

It is worthy to note that the revenue from dental services recorded a significant increase of approximately 25% for FY2018 as compared with that of FY2017, reflecting our effort on delivering a higher standard of dental care to our customers. During FY2018, the Group has deployed resources not only on the development of high-end dental services but also emergency dental services to cater for our customers' particular needs.

As for business in the People's Republic of China (the "**PRC**"), medical aesthetic services have been introduced at Shanghai Human Health Integrated Medical Centre (上海盈健門診部) during FY2018 in response to the customers' demand. We would continue to replicate our successful business model in Hong Kong into the PRC market and assess its performance from time to time.

NEW VISION AND ADOPTION OF ADVANCED TECHNOLOGY IN BUSINESS

On top of our established healthcare network providing diversified medical treatment with matching support, we endeavor to deliver customised health solutions that fit the customers' physical and mental needs. Knowing that innovation and technology would be a trend across all industries, the Group proactively stepped forward to allocate resources to apply artificial intelligence ("**AI**") technology in our services. The innovative companies of which the Group collaborates with are principally engaged in the provision of a wide range of innovation and technology services such as AI, internet of things ("**IoT**"), big data analytics, etc., from analyzing big data to developing business insights in the medical industry. We believe the use of new technology would improve efficiency in our business operations and marketing capabilities.

To progress with the time, the Group has a new vision for future development: "Elevate Your Health Value, Elevate Your Life" (昇華健康價值,共創豐盛人生), comprising four core values "Empathetic" (仁心), "Earnestness" (稱心), "Evolutionary" (創新) and "Ethical" (求真) to better implement our mission to accompany customers in the life-long journey of pursuing good health and overall well-being. With the new vision reflecting the advancement in our service quality through the adoption of technology, we strive to be the best health companion of our customers throughout all of the stages in their lives.

Looking ahead, the Group believes that its trusted team could utilise big data effectively to devise more comprehensive health solutions and to attract dedicated professionals. We will continue to expand our medical services in all aspects in order to embrace future opportunities in the healthcare industry and to further grow our business. Reviewing and exploring cooperation and investment opportunities presents the Group with a never-ending task so as to achieve sustainable growth.

DIVIDENDS

To thank the shareholders of the Company (the "**Shareholders**") for their loyalty and support, the Board has recommended payment of a final dividend of HK3 cents per share (the "**Final Dividend**") for FY2018, subject to the approval of the Shareholders in the annual general meeting of the Company to be held on 30 November 2018 (the "**AGM**").

APPRECIATION

I wish to take this opportunity to express my sincere thanks to all our Directors for the exemplary governance and oversight that they have provided and also express my deep gratitude to our senior management, professional team and employees for their contribution, diligence and dedication over the past year. Human Health also wishes to thank all of its business partners and Shareholders for their continued commitment and support.

Chan Kin Ping
Chairman and Chief Executive Officer
Hong Kong, 26 September 2018

Management Discussion and Analysis

FINANCIAL REVIEW

Financial Review for FY2018

Revenue

Our revenue represents the value of medical and dental services and comprises revenue from general practice services, specialties services and dental services. The following table sets forth the breakdown of our revenue by service type:

	FY2018	FY2017	
	HK$'000	*HK$'000*	% of change
General practice services	**331,471**	319,788	3.7%
Specialties services	**121,668**	109,567	11.0%
Dental services	**64,881**	51,792	25.3%
	518,020	481,147	7.7%

In FY2018, our Group recorded revenue amounted to approximately HK$518.0 million, representing an increase of approximately 7.7% as compared with FY2017.

Our revenue from general practice services increased by approximately HK$11.7 million or 3.7% from FY2017 to approximately HK$331.5 million. The increase was mainly attributed to the increase in average spending per visit in FY2018.

Our revenue from specialties services increased by approximately HK$12.1 million or 11.0% from FY2017 to approximately HK$121.7 million. The increase was mainly attributed to the increase in number of patient visits from approximately 67,000 times for FY2017 to approximately 69,000 times for FY2018 and the expansion of the scope of specialties service business with strong performance of several specific specialties services.

Our revenue from dental services increased by approximately HK$13.1 million or 25.3% from FY2017 to approximately HK$64.9 million. The increase was mainly attributed to the increase in number of patient visits from approximately 50,000 times for FY2017 to approximately 58,000 times for FY2018 and the developed high-end dental services with an experienced professional team which have also benefited from the Community Care Fund launched by the Hong Kong Government to cover dental services.

Financial Review for FY2018 *(continued)*

Costs of services rendered

Our costs of services rendered represents costs in relation to our medical services provided including fees payable to doctors and dentists, costs of pharmaceutical supplies and other related charges. The following table sets forth the breakdown of our costs of services rendered:

	FY2018	FY2017	
	HK$'000	*HK$'000*	% of change
Fees payable to doctors and dentists	**225,369**	211,582	6.5%
Costs of pharmaceutical supplies	**46,774**	40,378	15.8%
Laboratory expenses	**2,578**	2,980	-13.5%
(Reversal of write-down)/write-down of inventories to net realisable value	**(275)**	47	-685.1%
	274,446	254,987	7.6%

Our costs of services rendered increased by approximately HK$19.5 million or 7.6% to approximately HK$274.4 million for FY2018. Such increase was mainly due to an increase in fees payable to doctors and dentists and costs of pharmaceutical supplies which was in line with the increase in our revenue for FY2018.

Gross profit and gross profit margin

Our gross profit increased by approximately HK$17.4 million or 7.7% from FY 2017 to approximately HK$243.6 million for FY2018 as a result of the increase in revenue. Our gross profit margin maintained at approximately 47.0% for FY2018.

The following table sets forth the breakdown of our gross profit and gross profit margin by service types:

	Year ended 30 June			
	2018		2017	
	HK$'000	***Gross profit margin %***	*HK$'000*	*Gross profit margin %*
General practice services	**172,335**	**52.0%**	166,051	51.9%
Specialities services	**45,118**	**37.1%**	39,759	36.3%
Dental services	**26,121**	**40.3%**	20,350	39.3%
	243,574	**47.0%**	226,160	47.0%

Management Discussion and Analysis

Financial Review for FY2018 *(continued)*

Gross profit and gross profit margin *(continued)*

Our gross profit margin for general practice services remained stable.

Our gross profit margin for specialities services increased from approximately 36.3% for FY2017 to approximately 37.1% for FY2018 mainly as a result of lower percentage of fees payable to specialists during FY2018 as their remuneration packages were different based on their specialities, experiences and length of services with us.

Our gross profit margin for dental services increased from approximately 39.3% for FY2017 to approximately 40.3% for FY2018 mainly as a result of lower percentage of fees payable to dentists.

Other income and gains

Our other income and gains decreased by approximately HK$0.1 million or 15.4% from FY2017 to approximately HK$0.8 million for FY2018 mainly due to the decrease in interest income received for FY2018.

Administrative expenses

Our administrative expenses increased by approximately HK$3.2 million or 1.6% to approximately HK$205.3 million for FY2018 from approximately HK$202.1 million for FY2017 mainly as a result of (i) the increase in rental expenses of approximately HK$1.0 million; (ii) the increase in depreciation expenses of approximately HK$1.0 million; (iii) the increase in marketing and promotion expenses of approximately HK$1.2 million due to the launch of brand building project; (iv) the increase in other repair and maintenance expenses of approximately HK$0.3 million; and (v) the offset of the decrease in salaries and welfare expenses of approximately HK$1.3 million.

Financial Review for FY2018 *(continued)*

Share of losses of a joint venture

Our share of losses of a joint venture increased by approximately HK$2.3 million or 48.1% from approximately HK$4.9 million to approximately HK$7.2 million for FY2018.

Income tax expense

Income tax expense increased by approximately HK$1.1 million or 14.9% to approximately HK$8.6 million for FY 2018 from approximately HK$7.5 million for FY2017. The increase was mainly due to an increase in assessable income as a result of increase in revenue. Our effective tax rate decreased from approximately 37.3% for FY2017 to approximately 27.1% for FY2018.

Profit for the year

As a result of the foregoing, profit for the year increased by approximately HK$10.6 million or 84.0% to approximately HK$23.2 million for FY2018 from approximately HK$12.6 million for FY2017. Our net profit margin also increased to approximately 4.5% for FY2018 from approximately 2.6% for FY2017.

Profit attributable to owners of the Company

The Group's profit attributable to owners of the Company was approximately HK$24.1 million for FY2018, representing an increase of approximately HK$10.6 million or 79.0% from FY2017. The increase in the profit attributable to owners of the Company for the year ended 30 June 2018 was primarily due to (i) the increase in the total number of patient visits for our services; (ii) the increase in the average spending per visit for general practice service; (iii) the expansion of the scope of specialties service business with strong performances of several specific specialties services; and (iv) the developed high-end dental services with an experienced professional team which have also benefited from the Community Care Fund launched by the Hong Kong Government to cover dental services.

Management Discussion and Analysis

BUSINESS REVIEW AND OUTLOOK

Business Review for FY2018

The overall performance of the Group was promising in FY2018. Profit attributed to owners of the Company surged by approximately 79.0% and the revenue climbed approximately 7.7% respectively, driven by the encouraging performance of its core business in terms of sales and profit. During FY2018, the Group continued to fortify its leadership in the industry and devote efforts in providing all-round integrated medical services to its customers, by extending its business scope to urology services, advanced ophthalmology services, nephrology services, family medicine services, and high-end dental services. Furthermore, in view of the growing demand in Hong Kong nowadays, the Group has further diversified to provide Chinese medicine services at a dedicated service point during FY2018, aiming to cater for the specific needs in the community.

The Group has also allocated more resources in the development of the field of specialties services. Along with the extension of the scope of specialties services, a flexible incentive scheme has been implemented for specialists which would not only attract but also retain experienced specialists. As such, professional team of specialists of the Group has been enriched.

In order to provide more comprehensive services to customers and cater for their needs, a new dental centre with general dental services as well as emergency dental services has been opened during FY2018. The Group has allocated considerable resources to support the emergency dental services, which has the ability to manage cases quickly with emergency dental treatment (when needed) even on public holidays.

In addition, with the advancement in healthcare technology in recent years, it is anticipated that there will be higher demand for products and services utilising innovation and technology in the medical industry. In recent years, machine learning, task automation and robotics have already been widely applied in different industries. The Group has therefore commenced collaboration with companies which are principally engaged in the provision of a wide range of innovation and technology services such as AI, IoT, big data analytics, etc. for a variety of business needs and data analysis from raw data generation to business insights analysis especially focusing on the medical industry. The Group has made such move because it believes that its business operation efficiency and marketing capability as well as customers' experience could be optimised by making use of innovation and technology. Moreover, the Group has continuously reviewed and explored investment opportunities to achieve future growth and adding value to its solutions, and, ultimately, its customers.

Business Review for FY2018 *(continued)*

In line with the Group's effective strategy on the operations in the PRC, in addition to the provision of a full range of medical services to its customers, the Shanghai Human Health Integrated Medical Centre（上海盈健門診部）has focused on the provision of medical aesthetic services in addition to general practices and specialties services during FY2018 in order to meet the demand for medical care in the PRC.

As for business fundamentals, the patient base of the Group grew from approximately 1.96 million for FY2017 to approximately 2.11 million for FY2018, whereas the number of patient visits during FY2018 were approximately 1.19 million as compared to approximately 1.17 million during FY2017.

As at 30 June 2018, the Group operated 67 medical centres in Hong Kong under the following brand names with 123 service points.

Management Discussion and Analysis

Business Review for FY2018 *(continued)*

During FY2018, we provided the following comprehensive healthcare services in Hong Kong:

General Practice Services	Specialties Services	Dental Services
• General consultation • Diagnostic and preventive healthcare services • Minor procedures • Vaccinations • Physical check-ups • Health education activities • Occupational health advices • Work injury assessment • Chinese Medicine	**Specialties** • General surgery • Orthopaedics & traumatology • Ophthalmology • Otorhinolaryngology • Paediatrics • Obstetrics & gynaecology • Gastroenterology & hepatology • Respiratory medicine • Cardiology • Paediatric surgery • Dermatology • Geriatric medicine • Psychiatry • Radiology • Public health medicine • Urology • Nephrology • Family Medicine **Other Services** • Physiotherapy • Clinical psychology • Medical aesthetic • Chiropractic • Medical diagnostic • Endoscopy	• Oral examination • Dental implant • Crown and bridge • Endodontics • Prosthodontics • Oral surgery • Bleaching • One-hour tooth whitening • Orthodontics • Veneers and laser dentistry • Advanced oral and maxillofacial surgery • Periodontal treatment • Panoramic radiography • Cone-beam computed tomography

We attribute our prominent market position to our experienced and stable professional team. Set forth below is the number of members in our exclusive professional team as at 30 June 2018:

General practitioners	**59**
Specialists	**26**
Dentists	**18**
Others	**13**
Total	**116**

Business Review for FY2018 *(continued)*

In addition to the exclusive professional team above, a total number of 79 professionals including general practitioner, specialist, dentist and clinical psychologist worked with us on a non-exclusive basis as at 30 June 2018.

Our clientele comprises both individual and corporate customers which include medical scheme management companies, insurance companies and corporations. For FY2018, revenue generated from individual customers and corporate customers represented approximately 80.3% and 19.7% of our total revenue, respectively.

Our suppliers include general practitioner, specialist, dentist, clinical psychologist, all of whom are in a contractual relationship with us, and also pharmaceutical products distributor and manufacturer, laboratory and imaging centre. For FY2018, costs incurred with our five largest suppliers accounted for approximately 13.0% of our total costs of services rendered and costs incurred with our largest supplier accounted for approximately 3.5% of our total costs of services rendered.

Business Outlook

As a result of greater access to health information and the higher education level, health awareness among the general public has risen. Whilst the customers are becoming more selective in professional medical services and placing greater value on healthcare standards, the Group is committed to accompany its customers in the life-long journey of pursuing wellness. With its new vision "Elevate Your Health Value, Elevate Your Life"（昇華健康價值，共創豐盛人生）and its core values "Empathetic"（仁心）, "Earnest"（稱心）, "Evolutionary"（創新）and "Ethical"（求真）, the Group is dedicated to support and walk with its customers hand-in-hand throughout different stages of life.

To achieve the goal of bolstering its presence in the greater health and wellness field, the Group will offer professional advice and services to its customers by utilising innovation and technology, as well as big data analytics, new technologies, devices and equipment. The Group has strived to devise the finest and most comprehensive scope of healthcare solutions that truly suit the needs of its customers and to unfold the tremendous possibilities in healthcare services. Meanwhile, the Group continues to expand the scope of its services and review potential acquisition and investment opportunities so as to increase its market share and revenue base. The Group believes that these investments will soon translate into profitability and bolster its long-term competitiveness in the healthcare industry.

Management Discussion and Analysis

LIQUIDITY AND FINANCIAL RESOURCES

The Group maintained a good financial position during FY2018. As at 30 June 2018, the Group had net current assets of approximately HK$179.7 million (as at 30 June 2017: approximately HK$169.1 million) and cash and cash equivalents and pledged deposits of approximately HK$189.8 million (as at 30 June 2017: approximately HK$172.8 million). The cash and cash equivalents and pledged deposits were held in Hong Kong dollars and Renminbi. The Group did not have any interest-bearing borrowings during FY2018. Thus, gearing ratio which is net debt divided by the adjusted capital plus net debt, and net debt to equity ratio were both not applicable to the Group. The Group did not have any financial instruments for hedging purposes.

CAPITAL STRUCTURE

There was no change in the capital structure of the Company during FY2018. The capital of the Company comprises ordinary shares and other reserves.

CHARGES ON GROUP ASSETS

As at 30 June 2018, fixed deposit of approximately HK$1.0 million have been pledged to a bank to secure overdrafts of the Group. In addition, fixed deposit of approximately HK$1.0 million has been pledged to a bank as collateral security for banking facilities granted to the extent of HK$1.0 million.

FOREIGN EXCHANGE EXPOSURE

The Group conducts business primarily in Hong Kong and the PRC with most of the transactions denominated and settled in Hong Kong dollars and Renminbi. Currently, the Group has not entered into any foreign exchange contracts to hedge against the fluctuations in exchange rate between Renminbi and Hong Kong dollars. However, the Group monitors foreign exchange exposure regularly and would consider if there is a need to hedge against significant foreign currency exposure when necessary.

MATERIAL ACQUISITIONS AND DISPOSALS OF SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

There was no material acquisition or disposal of subsidiaries, associates and joint ventures during FY2018 and up to the date of this annual report.

CAPITAL COMMITMENTS

	As at 30 June	
	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Medical equipment	**215**	180
IT equipment	**175**	–
Furniture and fixtures	**7**	–
Leasehold improvements	**382**	–
	779	180

CONTINGENT LIABILITIES

The Group did not have any material contingent liability as at 30 June 2018.

EMPLOYEES

As at 30 June 2018, the Group had 392 full-time employees (as at 30 June 2017: 423) and 75 part-time employees (as at 30 June 2017: 77).

We recruit personnel from the open market and we formulate our recruitment policy based on market conditions, our business demand and expansion plans. We offer to our employees different remuneration packages based on their position. Generally, we pay basic salary and incentives (based on years of service) to all of our employees. To enhance the quality of our services, we adopt prudent assessment criteria when selecting our Group's professional team members which include physiotherapist, chiropractor, radiographer, pharmacist, registered nurse and dental hygienist, and take into account a number of factors such as experience, skills and competencies. We assess their credentials and suitability through interviews and aptitude tests as appropriate. We also provide training programmes regularly for our employees at different levels. Details on our human resources programs, training and development are set out in the environmental, social and governance report (the "**ESG Report**") on pages 57 to 74 of this annual report.

USE OF PROCEEDS FROM THE LISTING

Net proceeds from the listing of the shares of the Company (the "**Shares**" and each a "**Share**") on the Main Board of The Stock Exchange of Hong Kong Limited (the "**Stock Exchange**") on 1 April 2016 (the "**Listing**") amounted to approximately HK$84.8 million (including the net proceeds from the full exercise of the over-allotment option which took place on 21 April 2016), and are intended to be applied in the manner consistent with that set out in the prospectus of the Company dated 17 March 2016. For the period commencing from the Listing to 30 June 2018, the proceeds has been utilised as follows:

	Net Proceeds	Utilised Amounts	Unutilised Amounts
	HK$million	*HK$million*	*HK$million*
Expansion of network in Hong Kong by setting up six new specialist medical centres	39.1	19.3	19.8
Expansion of network in Hong Kong by setting up six new general practice medical centres	5.9	3.9	2.0
Expansion in PRC market	12.7	10.3	2.4
Acquisition of established medical centres in Hong Kong	8.4	2.8	5.6
Brand building	5.1	1.4	3.7
Enhancement in IT infrastructure	5.1	2.2	2.9
Working capital and other general corporate purposes	8.5	4.5	4.0
	84.8	44.4	40.4

It is expected that the unutilised amounts will be used on or before 30 June 2021.

SIGNIFICANT SUBSEQUENT EVENT AFTER FY2018

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company (the "**Subscriber**"); (ii) ASANA Global Group Limited (the "**Target Company**"); and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**Subscription Agreement**") pursuant to which the Target Company shall issue and the Subscriber shall subscribe 5 percent guaranteed fixed rate convertible bonds due in 2021 in the principal amount of HK$10,300,000 (the "**Convertible Bonds**"). The Convertible Bonds at its full value were issued to the Subscriber by the Target Company on 21 September 2018.

On 21 September 2018, (i) the Subscriber as lender; (ii) the Target Company as borrower; and (iii) Mr. Ling as guarantor entered into a HK$30,950,000 secured term loan facility agreement ("**Facility Agreement**") pursuant to which (i) the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$17,200,000 at an interest rate of 2% per annum ("**Facility A**"); and (ii) if the Target Company utilises Facility A in full, the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$13,750,000 at an interest rate of 5% per annum ("**Facility B**"). As at the date of this annual report, a loan of HK$5,000,000 under Facility A has been made to the Target Company.

Details of the Subscription Agreement and the Facility Agreement are set out in the announcement of the Company dated 21 September 2018.

EXECUTIVE DIRECTORS

Mr. CHAN Kin Ping（陳健平）("Mr. Chan"), aged 54, is the chairman of the Board, chief executive officer of our Group and an executive Director. Mr. Chan is also one of the co-founders of our Group and has since then been leading our Group for over 20 years to serve in the private healthcare industry. He is responsible for managing the overall operations and developments and formulating the overall business plans of our Group. As at the date of this annual report, Mr. Chan held directorship in each of the members of the Group except Yingjian Qiye Management Consultancy (Shanghai) Limited*（盈健企業管理諮詢（上海）有限公司）("**Yingjian Qiye**").

Mr. Chan obtained a degree of Master of Business Administration from the University of South Australia in August 2008.

In September 2016, Mr. Chan was appointed as the chairman cum director of Hong Kong Kowloon City Industry and Commerce Association. Mr. Chan is currently serving as the Chairman of Kowloon West Youth Care Committee and a director of The Lok Sin Tong Benevolent Society, Kowloon. Mr. Chan was also appointed as the principal adviser of the advisory board to Auxiliary Medical Services Officers' Club since June 2013. Moreover, Mr. Chan has been a director of the Hong Kong Shanxi Chamber of Commerce and an ordinary member of the Hong Kong Professionals and Senior Executives Association since May 2014 and November 2013, respectively. He has also been the Vice President of the Hong Kong Real Property Federation since September 2013.

Mr. Chan is the husband of Dr. Pang Lai Sheung, the chief medical officer of our Group and an executive Director, and the uncle of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Dr. PANG Lai Sheung（彭麗嫦）("Dr. Pang"), aged 51, was appointed as the chief medical officer of our Group and is an executive Director. Dr. Pang is one of the co-founders of our Group. Dr. Pang is mainly responsible for overseeing and providing advice on the management of our professional team and has contributed significantly to the developments of our Group. As at the date of this annual report, Dr. Pang held directorship in a number of members of the Group, namely Actmax Limited, Human Health Associate Limited, Human Health International Limited, Human Health Limited, Human Health Medical Services Limited ("**Human Health Medical Services**"), Human Health (H.K.) Limited, Novel Champion Limited, Novel Wiser Limited and Solid Success Global Limited.

Dr. Pang obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 1993. Dr. Pang has been a registered medical practitioner in Hong Kong since 1993. Dr. Pang also completed a Diploma in Family Medicine and a Diploma Programme in Advances in Medicine from The Chinese University of Hong Kong in August 2001 and March 2005, respectively.

Dr. Pang was awarded a degree of Master of Business Administration issued jointly by Northwestern University and The Hong Kong University of Science and Technology in December 2014.

Moreover, she has been an Honorary Clinical Assistant Professor in Faculty of Medicine of The Chinese University of Hong Kong since June 2014.

Dr. Pang is the wife of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director and the aunt of Mr. Poon Chun Pong, the chief operating officer of our Group and an executive Director.

Directors and Senior Management

EXECUTIVE DIRECTORS *(continued)*

Dr. SAT Chui Wan (薩翠雲) ("Dr. Sat"), aged 50, joined our Group in August 2008 and was appointed as the chief financial officer of our Group in September 2013 and is an executive Director. She is mainly responsible for overseeing the financial, compliance, risk and human resources management of our Group. She has extensive working experience in accounting, finance, management and strategic planning in different industries prior to joining our Group.

Dr. Sat obtained a degree of Bachelor of Arts in Accountancy from the Hong Kong Polytechnic University in October 1992. She subsequently obtained a degree of Master of Business Administration from the University of Lancaster in the United Kingdom in November 2000 and completed the International Study Program (ISP) at the University of St. Gallen in December 2000. She also completed the City University of Hong Kong Advanced Management Programme at the University of California, Berkeley in August 2010. In February 2018, she obtained a degree of Doctor of Business Administration from the City University of Hong Kong.

Dr. Sat is a member of the Hong Kong Institute of Certified Public Accountants since September 1996. She was also admitted as an associate of the Chartered Association of Certified Accountants since July 1996 and is a fellow of the Chartered Association of Certified Accountants since July 2001.

Mr. POON Chun Pong (潘振邦) ("Mr. Poon"), aged 40, joined our Group in June 2003 and was appointed as the chief operating officer in September 2013. Mr. Poon is an executive Director and is mainly responsible for overseeing the overall business operations of our Group. As at the date of this annual report, Mr. Poon held directorship in a number of members of the Group, namely Be Health Specialist Limited ("**Be Health**"), Perfect Life Asia Limited ("**Perfect Life**"), We Health Medical Diagnostic Limited, Impact Medical Imaging Centre Company Limited and Yingjian Qiye.

Mr. Poon obtained a degree of Bachelor of Engineering with Honours and a degree of Master of Business Administration from The Chinese University of Hong Kong in December 2000 and December 2009, respectively.

Mr. Poon has over 15 years of experience in information technology in the medical field and over 10 years of management experience as he began his career as a senior technical analyst of Human Health Associate Limited in June 2003. He was later appointed as an assistant director of Actmax Limited in April 2007 and is primarily responsible for overseeing the overall business operations of our Group.

Mr. Poon is the nephew of Mr. Chan, the chairman of the Board, chief executive officer of our Group and an executive Director, and Dr. Pang, the chief medical officer of our Group and an executive Director.

INDEPENDENT NON-EXECUTIVE DIRECTORS

Dr. LUI Sun Wing (呂新榮) ("Dr. Lui"), aged 68, was appointed as an independent non-executive Director on 27 January 2016. Dr. Lui obtained his degree of Doctor of Philosophy (Mechanical Engineering) from the University of Birmingham in the United Kingdom in July 1979 and was admitted as a member of the Hong Kong Institution of Engineers in 1985.

Dr. Lui is the former vice president of The Hong Kong Polytechnic University and was responsible for partnership development. He is also the former chief executive officer of the Institute for Enterprise, the PolyU Technology and Consultancy Company Limited and the PolyU Enterprise Limited. Prior to joining The Hong Kong Polytechnic University, Dr. Lui was the branch director of the Hong Kong Productivity Council and in charge of the Materials and Process Branch.

Dr. Lui's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Eco-Tek Holdings Limited	08169	Non-executive director	Since January 2001
Shanghai Electric Group Company Limited	02727	Independent non-executive director	From December 2010 to September 2018

Mr. CHAN Yue Kwong Michael (陳裕光) ("Mr. Michael Chan"), aged 66, was appointed as an independent non-executive Director on 27 January 2016. He obtained a degree in Sociology and Political Science and a degree of Master of City Planning from the University of Manitoba, Canada in May 1974 and October 1977, respectively and an Honorary Fellow from Lingnan University in December 2009.

Having worked as a professional town planner for various government bodies in Hong Kong and Canada, he has considerable experience in planning and management.

Mr. Michael Chan is currently a fellow and also the honorary chairman of the Hong Kong Institute of Marketing, and the fellow member of the Hong Kong Management Association. In past years, Mr. Michael Chan was personally bestowed with the "Executive of the Year Award" by the Hong Kong Business Awards and the "Directors of the Year Award" by The Hong Kong Institute of Directors, in 2001 and 2003 respectively.

INDEPENDENT NON-EXECUTIVE DIRECTORS *(continued)*

Mr. Michael Chan's past and current directorships in listed companies in Hong Kong in the last three years are set forth in the following table:

Company	Stock Code	Position	Term
Cafe de Coral Holdings Limited	00341	Chairman	From December 1997 to March 2016
		Non-executive director	Since April 2012
Starlite Holdings Limited	00403	Independent non-executive director	Since January 1993
Kingboard Laminates Holdings Limited	01888	Independent non-executive director	From November 2006 to July 2015
Pacific Textiles Holdings Limited	01382	Independent non-executive director	Since March 2007
Tse Sui Luen Jewellery (International) Limited	00417	Independent non-executive director	Since August 2010
Tao Heung Holdings Limited	00573	Non-executive director	Since March 2007
Modern Dental Group Limited	03600	Independent non-executive director	Since November 2015

Mr. SIN Kar Tim（冼家添）("Mr. Sin"), aged 62, was appointed as an independent non-executive Director on 27 January 2016. Mr. Sin has over 35 years of experience in areas of accounting, finance, administration, human resources and company secretarial.

Mr. Sin obtained a degree of Bachelor of Business Administration from The Chinese University of Hong Kong in December 1980. He is currently a fellow of the Chartered Association of Certified Accountants and an associate of the Hong Kong Institute of Certified Public Accountants. He is also a fellow of the Hong Kong Institute of Directors.

Mr. Sin has been working for Wing On Group since July 1980. He is currently the chief accountant and company secretary of Wing On Company International Limited, a company listed on the Stock Exchange (Stock Code: 00289), the chief accountant of The Wing On Company Limited and a director of The Wing On Department Stores (Hong Kong) Limited and he is responsible for the group's administration, accounting and finance matters.

SENIOR MANAGEMENT

Dr. KWONG Kin Hung (鄺健鴻) ("Dr. Kwong"), aged 45, joined our Group in July 2003 and was appointed as a member of our doctor advisory board in August 2009 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Kwong is a general practitioner who graduated from the Faculty of Medicine of The University of Hong Kong in December 1998 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He also holds a Postgraduate Diploma in Community Geriatrics from The University of Hong Kong in October 2003. Subsequently, at Monash University, he obtained a Graduate Diploma in Family Medicine in October 2007 as well as a degree of Master of Family Medicine (Clinical) in October 2008. Moreover, in March 2009, he was awarded the Diploma in Advances in Medicine by the Department of Medicine & Therapeutics of The Chinese University of Hong Kong.

Dr. Kwong is also the medical director of our Group and is an associated member of The Hong Kong College of Family Physicians. He was the President of Mount Cameron Lions Clubs, Lions Clubs International District 303 in Hong Kong, Macau and China in 2016 – 17.

Dr. LEE Huen (李煊) ("Dr. Lee"), aged 42, joined our Group in October 2002 and was appointed as a member of our doctor advisory board in October 2012 and is mainly responsible for overseeing the quality of the medical services and handling of issues in relation to the training, engagement and complaints of our professional team. Dr. Lee is a general practitioner who obtained degrees of Bachelor of Medicine and Bachelor of Surgery from The Chinese University of Hong Kong in 2000. While at Monash University, he received a Graduate Diploma in Family Medicine in October 2005 and a Master of Family Medicine (Clinical) in April 2007. In November 2008, at the University of London, he was awarded the Post Graduate Diploma in Clinical Dermatology with merit. Dr. Lee also holds a Diploma in Advances in Medicine from the Department of Medicine & Therapeutics of The Chinese University of Hong Kong in March 2009.

Dr. CHAN Wai Hong (陳偉康), aged 51, joined our Group in October 2007 as our head of gastroenterology and hepatology unit and is responsible for overseeing the quality of the medical services provided by gastroenterology and hepatology specialists of our Group.

Dr. Chan Wai Hong graduated from the Faculty of Medicine of The Chinese University of Hong Kong in 1991 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently admitted as Member of Royal College of Physician (MRCP Ireland) in 2001 & Member of Royal college of Physician (MRCP UK) in 2002. He was elected as a Fellow of Hong Kong College of Physician in 2005 and a Fellow of Hong Kong Academy of Medicine (Medicine) in 2006.

Dr. Chan Wai Hong had worked in the Hospital Authority for 16 years from 1991 to 2007 and gained his enriched experience in clinical medicine and Gastroenterology & Hepatology.

SENIOR MANAGEMENT *(continued)*

Dr. HUI Chi Wai Frederick (許志偉) ("Dr. Hui"), aged 46, joined our Group in October 2009 as our head of orthopaedics and traumatology unit and is responsible for overseeing the quality of the medical services provided by orthopaedics and traumatology specialists of our Group. Dr. Hui is an orthopaedics & traumatology specialist who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from the University of Hong Kong in November 1996 and was a Member of the Royal College of Surgeons of Edinburgh in 2001. In 2006, he became a Fellow in Orthopaedic Surgery in the Royal College of Surgeons of Edinburgh, a Fellow of the Hong Kong Academy of Medicine (Orthopaedic Surgery) and, last but not least, a Fellow of Hong Kong College of Orthopaedic Surgeons. Dr. Hui has also obtained a Certificate in Advanced Trauma Life Support in 2004.

He is a member of the Hong Kong College of Orthopaedic Surgeons and the Hong Kong Orthopaedic Association. He has received overseas training in Japan and attended various medical workshops and conferences over the years. Dr. Hui has worked for various public hospitals in Hong Kong from July 1996 to July 2007.

Dr. YUEN Ka Sing Michael (袁嘉聲) ("Dr. Yuen"), aged 46, joined our Group in December 2009 as our head of general surgery unit and is responsible for overseeing the quality of the medical services provided by general surgery specialists of our Group. Dr. Yuen is a specialist in general surgery who graduated with degrees of Bachelor of Medicine and Bachelor of Surgery from The University of Hong Kong in November 1996 and was admitted as a Member of the Royal College of Surgeons of Edinburgh in May 2001. In 2006, Dr. Yuen became a Fellow in the College of Surgeons of Hong Kong, a Fellow in General Surgery in the Royal College of Surgeons of Edinburgh as well as a Fellow of the Hong Kong Academy of Medicine (Surgery).

Dr. Yuen had received overseas training working as honorary surgical assistant at the St. Mark's Hospital & Academic Institute in London, United Kingdom from November 2006 to February 2007. He has published articles and presented in many medical journals and conferences. Furthermore, he was appointed as the Honorary Clinical Assistant Professor at the Department of Surgery of The Chinese University of Hong Kong from 2009 to 2010.

Dr. CHAN Tat Ming (陳達明), aged 51, joined our Group in January 2010 as our head of otorhinolaryngology unit and is responsible for overseeing the quality of the medical services provided by otorhinolaryngology specialists of our Group. Dr. Chan Tat Ming is a specialist in otorhinolaryngology who graduated from the Faculty of Medicine of The University of Hong Kong in December 1992 and obtained degrees of Bachelor of Medicine and Bachelor of Surgery. He was subsequently elected as a Fellow of Royal College of Surgeons of Edinburgh in 1999 and a Fellow of Hong Kong College of Otorhinolaryngologists, a Fellow in Otolaryngology of the Royal College of Surgeons of Edinburgh and a Fellow of the Hong Kong Academy of Medicine (Otorhinolaryngology) in 2002.

Upon his graduation from The University of Hong Kong, Dr. Chan Tat Ming was employed by the Hospital Authority as a medical officer from January 1993 to March 2006, an associate consultant from April 2006 to January 2010 and joined our Group as an Otolaryngologist afterwards. He is a Registered Medical Practitioner in Hong Kong since March 1994 and a specialist in Otolaryngology in Hong Kong since February 2003. He has accumulated over 25 years of medical practicing experience, including over 15 years of experience as an Otolaryngologist in the Otolaryngology field in Hong Kong.

SENIOR MANAGEMENT *(continued)*

Dr. SETO Siu Keung (司徒少強) ("Dr. Seto"), aged 52, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentists of our Group. As at the date of this annual report, Dr. Seto held directorship in a number of members of the Group, namely Poly Dental Services Limited ("**Poly Dental**"), Good Standard Limited ("**Good Standard**"), Laserdontics Limited ("**Laserdontics**") and Seto & Wan Dental Centre Limited ("**Seto & Wan**"). Dr. Seto is a dentist, who graduated with a Bachelor in Dental Surgery from the Faculty of Dentistry of the University of Hong Kong in December 1992. He then obtained his Diploma in General Dental Practice from The Royal College of Surgeons of England in February 1996, a Postgraduate Diploma in Dental Surgery from the University of Hong Kong in October 1999 and a Master of Science in Dental Radiology at the University of London in December 2001. In August 2004, he was awarded a Diploma in Clinical Acupuncture by The University of Hong Kong. Subsequently, Dr. Seto switched to laser dentistry where he completed a Master of Science in Lasers in Dentistry in RWTH Aachen University of Germany in September 2007 with distinction. In 2008, he was awarded the Membership in General Dentistry by The College of Dental Surgeon of Hong Kong and in 2009 he obtained the European Master Degree in Oral Laser Application.

Dr. Seto was a part time clinical lecturer in the Faculty of Dentistry of the University of Hong Kong from September 2005 to August 2015. He is currently a specialist clinical lecturer of the Laser and Health Academy and a Fellow of the International College of Continuous Dental Education. In recent years, he frequently travels to the main cities in the PRC and other Asian countries to deliver lectures, provide basic dental laser trainings and exchange ideas with local dentists.

Dr. LAU Wai Man (劉偉文) ("Dr. Lau"), aged 52, joined our Group in August 2008 and was appointed as our co-head of dental unit in July 2015 and is responsible for overseeing the quality of the dental services and providing training to dentist of our Group. As at the date of this annual report, Dr. Lau held directorship in a number of members of the Group, namely Poly Dental, Good Standard, Laserdontics and Seto & Wan. Dr. Lau is a dentist who graduated with a Bachelor of Dental Surgery from the University of Hong Kong in 1992, Dr. Lau later completed a Diploma of Membership of the Faculty of General Dental Practitioners from The Royal College of Surgeons of England in 2005. In 2014, he received a Membership in General Dentistry from The College of Dental Surgeons of Hong Kong.

COMPANY SECRETARY

Ms. MAN Ching Yan (文靜欣) ("Ms. Man") has joined our Group since May 2015. Ms. Man obtained a bachelor's degree in economics and finance from the University of Hong Kong. Ms. Man is a member of the Hong Kong Institute of Chartered Secretaries (HKICS) and the Institute of Chartered Secretaries and Administrators (ICSA). Ms. Man is a CFA charterholder and a member of the CFA Institute and The Hong Kong Society of Financial Analysts Limited.

* *for identification purpose only*

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICE

The Company has adopted the code provisions set out in the Corporate Governance Code (the "**CG Code**") contained in Appendix 14 to the Rules Governing the Listing of Securities on the Stock Exchange ("**Listing Rules**") as its own corporate governance framework.

The Board has reviewed the Company's corporate governance practices to ensure its continuous compliance with the CG Code. Save for the deviations from code provision A.2.1 as disclosed below, the Company has complied with all the applicable code provisions set out in the CG Code during FY2018.

Under the code provision A.2.1, the roles of chairman and chief executive officer should be separate and should not be performed by the same individual. The Company has appointed Mr. Chan as both the chairman and the chief executive officer of the Company. The Board believes that vesting the roles of both chairman and chief executive officer in the same person has the benefit of ensuring consistent leadership with the Group and enables more effective and efficient overall strategic planning for the Group. The Board considers that the balance of power and authority for the present arrangement will not be impaired and this structure will enable the Company to make and implement decisions promptly and effectively. The Board will continue to review and consider splitting the roles of chairman and chief executive officer of the Company as when appropriate and suitable by taking into account the circumstances of the Group as a whole.

THE BOARD OF DIRECTORS

Responsibilities

The functions and duties of our Board include, but not limited to, overall strategic directions for the Group, formulating business and investment plans, preparing the annual budget and accounts, preparing proposals on profit distribution as well as performing other authorities, functions and responsibilities in accordance with the amended and restated articles of association of the Company (the "**Articles**"). Each of the executive Directors who is also the chief executive officer, chief medical officer, chief financial officer and chief operating officer, respectively together with our senior management and heads of departments have been delegated with the responsibilities to handle the day-to-day operations of the Group. The Company has adopted a formal schedule of matters specifically reserved for the Board, including but not limited to the following:

- approval for the Company's strategic plans and objectives;
- approval for significant transactions, investments and major financial matters;
- approval of announcements, circulars and reports;
- approval of connected transactions;
- approval of any matters that are recommended by the Board committee pursuant to their terms of reference.

Responsibilities *(continued)*

The Board gives clear directions to management on the matters that must be approved by it before decisions are made. The Board will review those arrangements periodically to ensure that they remain appropriate to the Group's needs.

Specifically in relation to the corporate governance function, the Board is responsible for performing, among others, the following corporate governance duties:

1. developing and reviewing the Company's policies and practices on corporate governance and making recommendations to the Board;

2. reviewing and monitoring the training and continuous professional development of Directors and senior management;

3. reviewing and monitoring the Company's policies and practices on compliance with legal and regulatory requirements;

4. developing, reviewing and monitoring the code of conduct and compliance manual (if any) applicable to our employees and Directors; and

5. reviewing the Company's compliance with the CG Code and disclosure in the corporate governance report.

The Board has delegated part of the above duties to the Company's Board committees, and their duties are set out in the terms of reference of the respective Board committee.

All Directors have full and timely access to all relevant information in relation to the Group as well as the advice from and services provided by the company secretary of the Company (the "**Company Secretary**"), if and when required, with a view to ensure that all applicable rules and regulations are followed.

There are established procedures for Directors, upon reasonable request, to seek independent advice in appropriate circumstances for them to discharge their duties and responsibilities, at the Company's expenses.

The Company has arranged appropriate liability insurance for the Directors and officers of the Group to indemnify their liabilities arising out of corporate activities. The insurance coverage is reviewed on an annual basis.

Corporate Governance Report

Composition

The Board currently consists of seven Directors comprising four executive Directors and three independent non-executive Directors.

Executive Directors

Mr. Chan Kin Ping *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Dr. Sat Chui Wan
Mr. Poon Chun Pong

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

The biographical details of each Director are set out in the "Directors and Senior Management" on pages 17 to 23 of this annual report.

Chairman of the Board and Chief Executive Officer

Mr. Chan acts as the chairman of the Board and chief executive officer of the Group.

The key role of the chairman of the Board is to provide leadership to the Board. In performing his duties, the chairman of the Board shall ensure that the Board functions effectively when discharging its responsibilities by encouraging Directors to make active contribution to the Board's affairs. The chairman of the Board also ensures that good corporate governance practices and procedures are established and the Board acts in the best interest of the Company.

The key role of chief executive officer is to be responsible for the day-to-day management and operations of the business of the Group. The duties of chief executive officer mainly include, but not limited to, providing leadership and supervising the effective management of the Group; monitoring and controlling the financial and operational performance of various divisions; and implementing the objectives and strategies approved by the Board and policies adopted by the Group.

Independent Non-executive Directors

Pursuant to Rules 3.10(1) and 3.10(2) of the Listing Rules, the Company has appointed three independent non-executive Directors, of whom Mr. Sin has appropriate professional qualifications and related experiences in financial matters.

The Company has received written confirmation from each of the independent non-executive Directors confirming his independence pursuant to Rule 3.13 of the Listing Rules. The Company considers that all independent non-executive Directors are independent.

Appointment and Re-election of Directors

Code provision A.4.1 of the CG Code stipulates that non-executive directors shall be appointed for a specific term, subject to re-election, whereas code provision A.4.2 states that all directors appointed to fill a casual vacancy shall be subject to election by the shareholders at the first general meeting after appointment and that every director, including those appointed for a specific term, shall be subject to retirement by rotation at least once every three years.

Pursuant to article 83(3) of the Articles, the directors shall have the power from time to time and at any time to appoint any person as a director either to fill a casual vacancy on the board or as an addition to the existing board. Any director appointed by the board to fill a casual vacancy shall hold office until the first general meeting of members after his appointment and be subject to re-election at such meeting and any director appointed by the board as an addition to the existing board shall hold office only until the next following annual general meeting of the Company and shall then be eligible for re-election.

Pursuant to articles 84(1) and 84(2) of the Articles, notwithstanding any other provisions in the Articles, at each annual general meeting one third of the directors for the time being (or, if their number is not a multiple of three (3), the number nearest to but not less than one third) shall retire from office by rotation provided that every director shall be subject to retirement at an annual general meeting at least once every three years. A retiring director shall be eligible for re-election and shall continue to act as a director throughout the meeting at which he retires. The directors to retire by rotation shall include (so far as necessary to ascertain the number of directors to retire by rotation) any director who wishes to retire and not to offer himself for re-election. Any further directors so to retire shall be those of the other directors subject to retirement by rotation who have been longest in office since their last re-election or appointment and so that as between persons who became or were last re-elected directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot. Any director appointed by the board pursuant to Article 83(3) shall not be taken into account in determining which particular directors or the number of directors who are to retire by rotation.

Accordingly, Mr. Chan, Mr. Poon and Mr. Sin will retire as required by the Articles and the Listing Rules and, being eligible, offer themselves for re-election at the AGM.

Induction and Continuous Professional Development for Directors

Each newly appointed Director will receive comprehensive induction on the first occasion of his/her appointment, so as to ensure that he/she has proper understanding of the business and operations of the Group and that he/she is fully aware of his/her responsibilities and obligations under the Listing Rules and relevant regulatory requirements.

Induction and Continuous Professional Development for Directors *(continued)*

There are also arrangements in place for providing continuing briefing and professional development to Directors whenever necessary. The Directors are regularly briefed on relevant legal and regulatory developments, business and market changes in order to discharge their responsibilities. During FY2018, the Company has arranged in-house trainings in respect of the Listing Rules and other applicable legal and regulatory requirements to the Directors and reading material on relevant topics have been provided to the Directors for refreshing and developing their professional knowledge.

During FY2018, all Directors have been provided with regular updates on the Group's performance, position and prospects to enable the Board as a whole and each Director to discharge their duties.

All Directors have provided their training records to the Company.

BOARD AND BOARD COMMITTEES MEETINGS

Regular Board meetings are scheduled to facilitate maximum attendance by the Directors and to be held at least 4 times a year at approximately quarterly intervals for reviewing and approving the financial and operating performance, and considering and approving the overall strategies and policies of the Group.

Apart from the regular Board meetings, the Board will meet on other occasions from time to time when a board-level decision on a particular matter is required.

Notices of regular Board meetings are served to all Directors at least 14 days before such meetings while reasonable notice is generally given for other Board meetings.

For Board committee meetings, notices are served in accordance with the required notice period stated in the relevant terms of reference.

Agenda and accompanying papers together with all appropriate, complete and reliable information are sent to Directors or Board committee members at least 3 days before each Board or Board committee meeting to keep the Directors apprised of the latest developments and financial position of the Group and to enable them to make informed decisions. Directors are given the opportunity to include matters in the agenda for Board or Board committee meetings. The Board and each Director also have separate and independent access to the management of the Group whenever necessary.

Minutes of all Board meetings, Board committee meetings and general meetings recording sufficient details of matters considered and decisions reached, are kept by the Company Secretary, and are opened for inspection by the Directors. Draft and final versions of minutes are sent to all Directors or Board committee members for comments within a reasonable time after the meetings.

Board Meetings and Other Meetings

During FY2018, five Board meetings were held when the following key issues were, among others, reviewed and considered:

- annual and interim financial statements and the related results announcements and reports;
- corporate governance practice, internal control and risk management;
- connected transactions;
- distribution of dividend, circular and other documentations for the annual general meeting of the Company;
- environmental, social and governance reporting matters;
- budget plan for the year ending 30 June 2019;
- granting of share options; and
- investment framework, transactions and related announcements;

Attendance records of the Directors are set out below:

	Meetings attended/held
Executive Directors	
Mr. Chan Kin Ping	5/5
Dr. Pang Lai Sheung	5/5
Dr. Sat Chui Wan	5/5
Mr. Poon Chun Pong	5/5
Independent Non-executive Directors	
Dr. Lui Sun Wing	5/5
Mr. Chan Yue Kwong Michael	5/5
Mr. Sin Kar Tim	5/5

During FY2018, one meeting was held between the chairman of the Board and the independent non-executive Directors without the executive Directors present. An annual general meeting was held and all Directors attended.

Board Committees

The Board has established three committees, namely the audit committee (the "**Audit Committee**"), the remuneration committee (the "**Remuneration Committee**") and the nomination committee (the "**Nomination Committee**") for overseeing particular aspects of the Group's affairs. All Board committees of the Company are established with defined written terms of reference which are posted on the Company's and the Stock Exchange's websites.

The majority of the members of each Board committee are independent non-executive Directors. The Board committees are provided with sufficient resources to discharge their duties and, upon reasonable request, are able to seek independent professional advice in appropriate circumstances, at the Company's expenses.

Audit Committee

The Audit Committee comprises three independent non-executive Directors, namely:

Mr. Sin Kar Tim *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael

None of the members of the Audit Committee is a former partner of the Company's existing external auditor. The main duties of the Audit Committee include, among others, the following:

(a) making recommendation to the Board on the appointment, reappointment and removal of the external auditor, and approving the remuneration and terms of engagement of the external auditor, and any questions of its resignation or dismissal; reviewing and monitoring the external auditor's independence and objectivity and the effectiveness of the audit process in accordance with applicable standards;

(b) monitoring integrity of the Company's financial statements and annual report and accounts, half-year report and, if prepared for publication, quarterly reports, and reviewing significant financial reporting judgments contained in them;

(c) reviewing the Company's financial controls, risk management and internal control systems;

(d) reporting to the Board on the matters in relation to the corporate governance functions;

(e) reviewing continuing connected transactions of the Company and ensuring compliance with the Listing Rules; and

(f) ensuring the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's accounting, internal audit and financial reporting function.

Audit Committee *(continued)*

During FY2018, three meetings of the Audit Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nature and scope of the audit by reference to the audit plan presented by the auditor;
- the independence of the auditor and re-appointment of auditor;
- the audit findings by the auditor and the auditor's management letter;
- the annual and interim financial statements and related results announcements;
- the corporate governance practice, the internal audit plan, internal control system and risk management; and
- the continuing connected transactions of the Group.

Attendance records of the members of Audit Committee are set out below:

Audit Committee members	**Meetings attended/held**
Mr. Sin Kar Tim *(Chairman)*	3/3
Dr. Lui Sun Wing	3/3
Mr. Chan Yue Kwong Michael	3/3

Remuneration Committee

The Remuneration Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

Dr. Lui Sun Wing *(Chairman)*
Mr. Chan Kin Ping
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

Remuneration Committee *(continued)*

The main duties of the Remuneration Committee include, among others, the following:

(a) making recommendations to the Board on the Company's policy and structure for all Directors' and senior management's remuneration;

(b) reviewing and approving management's remuneration proposals with reference to the Board's corporate goals and objectives resolved by the Board from time to time;

(c) making recommendations to the Board on the remuneration packages of individual Directors and senior management;

(d) reviewing, recommending and approving the compensation payable to executive Directors and senior management in connection with any loss or termination of their office or appointment; and

(e) establishing transparent procedures for developing remuneration policy and structure to ensure that no Director or any of his/her associates will participate in deciding his/her own remuneration, whose remuneration shall be determined by reference to the performance of the individual and the Group as well as market practice and conditions.

During FY2018, two meetings of the Remuneration Committee were held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the remuneration package of executive Directors and senior management;
- the bonus structure and bonus proposal of the executive Directors; and
- granting of share options.

Attendance records of the members of Remuneration Committee are set out below:

Remuneration Committee members	**Meetings attended/held**
Dr. Lui Sun Wing *(Chairman)*	2/2
Mr. Chan Kin Ping	2/2
Mr. Chan Yue Kwong Michael	2/2
Mr. Sin Kar Tim	2/2

Nomination Committee

The Nomination Committee comprises the Chairman of the Board and three independent non-executive Directors, namely:

Mr. Chan Yue Kwong Michael *(Chairman)*
Dr. Lui Sun Wing
Mr. Chan Kin Ping
Mr. Sin Kar Tim

The main duties of the Nomination Committee include, among others the following:

(a) formulating nomination policy for the Board's consideration and implementing the Board's approved nomination policy;

(b) reviewing the Board diversity policy and the progress on achieving the objectives set for implementing the said policy;

(c) reviewing the structure, size and composition (including the skills, knowledge, experience and length of service) of the Board at least annually and make recommendations on any proposed changes to the Board to complement the Company's corporate strategy;

(d) identifying individuals suitably qualified to become Board members and select or make recommendations to the Board on the selection of, individuals nominated for directorships;

(e) making recommendations to the Board on the appointment or re-appointment of Directors and succession planning for Directors in particular the chairman of the Board and the chief executive officer of the Group; and

(f) assessing the independence of independent non-executive Directors.

A policy on Board diversity has been reviewed by the Board and which sets out the approach to achieve the diversity of the Board. With a view to achieving a sustainable and balanced development, the Company views diversity at the Board level as an essential element in supporting the attainment of its strategic objectives and its sustainable development. Selection of candidates as the Board members will be based on a range of diversity perspectives, including but not limited to gender, age, cultural background and ethnicity, in addition to educational background, professional experience, skills, knowledge and length of service. The ultimate decision will be based on merit and contribution that the selected candidates will bring to the Board.

The Nomination Committee considers that the Board's composition is balanced and diverse as the Board members involve different age groups, genders, professional experience, skills and length of service and ensure the effectiveness of the policy on Board diversity.

Nomination Committee *(continued)*

During FY2018, one meeting of the Nomination Committee was held when, among others, the following key issues were reviewed and considered and recommendations were made to the Board where appropriate:

- the nomination policy and the Board diversity policy;
- the structure, size and composition of the Board;
- training and professional development of Directors and senior management;
- the independence of independent non-executive Directors; and
- the rotation and re-election of Directors in the annual general meetings.

Attendance records of the members of Nomination Committee are set out below:

Nomination Committee members	Meeting attended/held
Mr. Chan Yue Kwong Michael *(Chairman)*	1/1
Dr. Lui Sun Wing	1/1
Mr. Chan Kin Ping	1/1
Mr. Sin Kar Tim	1/1

MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS

The Board has adopted the Model Code for Securities Transactions by Directors of Listed Issuers as set out in Appendix 10 to the Listing Rules (the "**Model Code**") as its own code of conduct regarding securities transactions by the Directors. In response to a specific enquiry made by the Company, all Directors have confirmed their compliance with the Model Code during FY2018.

Directors of the subsidiaries of the Company and relevant employees (as defined in the Listing Rules) are also requested to comply with the Model Code in respect of their dealings in the Company's securities.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The Directors acknowledge their responsibilities for preparing the Group's financial statements. The financial statements for FY2018 have been prepared in accordance with Hong Kong Financial Reporting Standards, including Hong Kong Accounting Standards and applicable Interpretations issued by the Hong Kong Institute of Certified Public Accountants and the applicable disclosure requirements of the Listing Rules and other applicable regulatory requirements.

The Directors confirm that, to the best of their knowledge, information and belief, having made all reasonable enquires, they are not aware of any material uncertainty relating to events of conditions that may cast significant doubt upon the Group's ability to continue as a going concern.

AUDITOR'S REMUNERATION

The responsibilities of the external auditor, Ernst & Young, are set out in the Independent Auditor's Report on pages 75 to 79 of this annual report.

The Audit Committee has been notified of the nature and service charges of the non-audit services performed by Ernst & Young and considered that such services have no adverse effect on the independence of their audit works.

An analysis of the remuneration payable to Ernst & Young, in respect of audit and non-audit services for FY2018 are set out below:

Nature of services	Amount HK$'000
Audit services	1,585
Non-audit services	1,103

INTERNAL CONTROL AND RISK MANAGEMENT

The Board recognises its overall responsibility in ensuring the risk management and internal control systems of the Group and the Audit Committee is delegated with the authority from the Board to oversee the risk management and internal control systems in reviewing its effectiveness, and is committed to implementing a sound risk management and internal control systems to safeguard the interests of the Shareholders and the assets of the Group.

Effective management of risks is an essential and integral part of corporate governance and it helps to ensure that the risks encountered in the course of achieving the Group's business objectives are managed within the Group's risk profile and appetite statements. The Group has adopted and designed an Enterprise Risk Management ("**ERM**") framework to assist the Audit Committee and the Board in proactively identifying the key risks, analyzing and managing the key risks with controls, and assigning risk owner for on-going monitoring and reporting, whereby an effective risk management is in place. A self-assessment of the risk management and control measurement has been conducted during FY2018 to identify the significant risks faced by the Group and indicators have been set to continuously monitor the effectiveness of the risk management functions.

INTERNAL CONTROL AND RISK MANAGEMENT *(continued)*

An internal audit function is in place and provides an independent review of the Group's ERM and internal control systems. During FY2018, the internal audit function reviewed the risk management and internal control systems and provided reasonable assurance that material misstatements or losses were prevented, potential interruption of the Group's management system was detected, and existing risks in the course of arriving at the Group's objectives were properly managed. The review covers major controls over financial, operational and compliance, and material internal control deficiencies, if any, were set out in the internal control review report with recommendations of improvement and agreed management action plan and assessed by the Audit Committee. In particular, the internal audit function has reviewed the continuing connected transactions and confirmed that internal control procedures were in place. No significant control failings or weaknesses that have been identified during FY2018, which could have had, or may in the future have, a material impact on the Group's financial performance or condition. The internal audit function reported its review results to the Audit Committee three times during FY2018 and the Audit Committee has reviewed and ensured the adequacy of resources, staff qualifications and experience, training programmes and budget of the Company's internal audit, accounting and financial reporting functions. The Board considers that the existing risk management and internal control systems are reasonably effective and adequate. The Board also considers that the Company's processes for financial reporting and Listing Rules compliance are effective.

Regarding the procedures and internal controls over the handling and dissemination of inside information, the Group has internal policy and procedures which identify and handle with inside information by designated Director and the Company Secretary and has complied with the obligations for the disclosure of inside information under the Listing Rules and the Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong) ("**SFO**") during FY2018. The Board is aware of its obligations to announce any inside information in accordance with the Listing Rules and the SFO. No material unauthorized use or untimely disclosure of the inside information was notified or reported to the Board during FY2018.

COMPANY SECRETARY

Ms. Man is the Company Secretary. The Company Secretary is responsible for reporting to the Board on day-to-day duties and responsibilities and for advising the Board on governance matters and also facilitates the induction and professional development of Directors. All Directors have access to the advice and service of the Company Secretary to ensure that all applicable rules and regulations are followed. The Company Secretary also keeps proper records of all Board meetings, Board Committee meetings and general meetings which are made available for inspection by the Directors at all reasonable times. Ms. Man's biographical details are set out in the paragraph headed "Company Secretary" in the "Directors and Senior Management" section in this annual report. Ms. Man had complied with the professional training requirement under the Listing Rules during FY2018.

SHAREHOLDERS' RIGHTS

Article 58 of the Articles states that any one or more members holding at the date of deposit of the requisition not less than one-tenth of the paid up capital of the Company carrying the right of voting at general meetings of the Company shall at all times have the right, by written requisition to the Board or the Company Secretary, to require an extraordinary general meeting to be called by the Board for the transaction of any business specified in such requisition; and such meeting shall be held within two months after the deposit of such requisition. If within twenty one days of such deposit the Board fails to proceed to convene such meeting the requisitionist(s) himself (themselves) may do so in the same manner, and all reasonable expenses incurred by the requisitionist(s) as a result of the failure of the Board shall be reimbursed to the requisitionist(s) by the Company.

As regards proposing a person for election as a director of the Company, please refer to the "Procedures for Shareholders to Propose a Person for Election as a Director" which is posted on the Company's website at www.humanhealth.com.hk.

All resolutions put forward at general meetings will be voted by poll pursuant to the Listing Rules and poll results will be posted on the websites of the Company and the Stock Exchange after each general meeting.

COMMUNICATIONS WITH SHAREHOLDERS

The Company recognises the importance of continuing communications with the Shareholders and investors, and maintains ongoing dialogues with them through various channels. The primary communication channel between the Company and the Shareholders is through the publication of the Company's interim and annual reports.

The Company's Hong Kong branch share registrar, Tricor Investor Services Limited serves the Shareholders with respect to all share registration matters.

The Company's annual general meeting provides a useful forum for the Shareholders to exchange views with the Board. Board members and the auditor are available to answer Shareholders' questions and explain the procedures for demanding and conducting a poll, if necessary. Any relevant information and documents on proposed resolutions are sent to all Shareholders at least twenty clear business days before the annual general meeting pursuant to the Listing Rules.

All Shareholders' communications, including interim and annual reports, announcements and circulars as well as the Shareholders communication policy are available on the Company's website at www.humanhealth.com.hk. The latest business developments and core strategies of the Company can also be found on the Company's website, keeping the communications with Shareholders open and transparent.

INVESTOR RELATIONS

The Company keeps on promoting investor relations and enhancing communication with the Shareholders and potential investors. The Company welcomes the Shareholders, investors, stakeholders and the public to send their enquiries to our Company Secretary by addressing them to the Company's address at 11/F., TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Hong Kong or by email at ir@humanhealth.com.hk or by phone at (852) 3971 8274 during normal business hours or by fax at (852) 2312 2772.

During FY2018, the Company did not make any changes to the memorandum of association and the Articles and the current version of which are available on the websites of the Stock Exchange and the Company.

Directors' Report

The Directors are pleased to present this annual report together with the audited consolidated financial statements for FY2018.

PRINCIPAL ACTIVITIES AND BUSINESS REVIEW

The principal activity of the Company is investment holding. The Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services to the public. The activities and other particulars of its principal subsidiaries are set out in note 1 to the financial statements on pages 87 to 88 of this annual report. There were no significant changes in the nature of the Group's principal activities during the year.

A review of the business of the Group during FY2018 and its future development are set out in the "Management Discussion and Analysis" on pages 6 to 16 of this annual report. The section "Management Discussion and Analysis" forms part of this directors' report.

Significant subsequent event undertaken by the Group after 30 June 2018 is set out in the "Management Discussion and Analysis" on page 16 of this annual report.

FINANCIAL RESULTS AND PERFORMANCE

A financial review of the Group during FY2018 is set out in the "Management Discussion and Analysis" on pages 6 to 16 of this annual report.

The Group's profit for FY2018 and the Group's financial position at 30 June 2018 are set out in the financial statements on pages 80 to 82 of this annual report.

FINAL DIVIDEND

The Board has recommended the payment of the Final Dividend of HK3 cents per Share for FY2018 (FY2017: HK2 cents per Share). The payment of the Final Dividend is subject to approval by the Shareholders at the AGM. Upon obtaining the Shareholders' approval, the Final Dividend is expected to be paid on or around Friday, 21 December 2018 to the Shareholders whose names appear on the register of members of the Company on Friday, 7 December 2018.

CLOSURE OF REGISTER OF MEMBERS

For the purpose of ascertaining the Shareholders' entitlement to attend and vote at the AGM, the register of members of the Company will be closed from Tuesday, 27 November 2018 to Friday, 30 November 2018, both days inclusive, during which no transfer of Shares will be registered. In order to be entitled to attend and vote at the AGM, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Monday, 26 November 2018.

For the purpose of ascertaining the Shareholders' entitlement to receive the Final Dividend, the register of members of the Company will be closed from Thursday, 6 December 2018 to Friday, 7 December 2018, both days inclusive, during which no transfer of Shares will be registered. In order to qualify for receiving the Final Dividend, all duly completed transfer forms accompanied by the relevant share certificates, must be lodged with the Company's branch share registrar in Hong Kong, Tricor Investor Services Limited at Level 22, Hopewell Centre, 183 Queen's Road East, Hong Kong for registration not later than 4:30 p.m. on Wednesday, 5 December 2018.

Details of dividends for FY2018 are set out in note 10 to the financial statements on page 119 of this annual report.

SHARE CAPITAL

Details of movements in the share capital of the Company during FY2018 are set out in note 25 to the financial statements on page 131 of this annual report.

DISTRIBUTABLE RESERVES

Distributable reserves of the Company as at 30 June 2018 amounted to approximately HK$173 million of which approximately HK$11 million has been proposed as the Final Dividend for FY2018.

DONATIONS

Donations made by the Group during FY2018 amounted to approximately HK$65,000 in which HK$50,000 was donated to The Community Chest of Hong Kong.

SUMMARY OF FINANCIAL INFORMATION

A summary of the results and assets, liabilities and non-controlling interest of the Group for the past five financial years is set out on page 146 of this annual report. This summary does not form part of the audited financial statements.

TAX RELIEF AND EXEMPTION

The Company is not aware of any tax relief and exemption available to the Shareholders by reason of their holding of the Company's securities.

PRINCIPAL RISKS AND UNCERTAINTIES

The operations and business of the Group may be affected by various risks and uncertainties and the principal risks and uncertainties are set out below.

Operational Risk

We are dependent on our professional team and our financial results may be affected if we are not able to engage qualified professionals to join our team or retain them. In particular, our business model relies on contractual arrangements with the general practitioner, specialist, dentist and clinical psychologist and their companies. In case any of them does not accept this arrangement, we may not be able to procure them to provide medical and dental services at our medical centres.

In addition, we operate all of our medical centres on leased properties. Any non-renewal of leases or substantial increase in rent may affect our business and financial performance.

Reputational Risk

We rely on our reputation within the healthcare service industry and our brand's image which may be adversely affected by negative publicity. Moreover, the limitation in promoting the business of our Group may affect our ability to further enhance our brand recognition or secure new business opportunity in the future.

Legal Risk

Our general practitioners, specialists and dentists are required to take out comprehensive professional indemnity insurance policies at their own costs and indemnify our Group against all claims and damages sustained by our Group caused by their acts or negligence in relation to the services carried out by them. If our Group (or together with our general practitioners, specialists and dentists) experience any situation where we are sued by our customers for damages caused by the acts or negligence of our general practitioners, specialists and dentists, we cannot guarantee that our general practitioners, specialists and dentists would have the financial capability to honour their obligation to indemnify us against all claims and damages in case professional indemnity insurance policies maintained by them would not be sufficient to cover the cost of the claims. Any costs arising therefrom could have a material adverse effect on our business, results of operations and financial condition.

Financial Risk

Details about the Group's financial risk management are set out in note 34 to the financial statements on pages 141 to 143 of this annual report.

RELATIONSHIPS WITH EMPLOYEES, CUSTOMERS AND SUPPLIERS

Employees

We embrace our employees as the most valuable assets of the Group, the objective of the Group's human resources management is to reward and recognise outstanding employees by providing competitive remuneration packages with basic salary and implementing a sound performance appraisal system with appropriate incentives, and to promote career development and progression within the Group by providing adequate training and opportunities. Details of the relationship with our employees are set out in the section headed "Employment and Labour Practices" in the ESG Report on pages 68 to 70 of this annual report.

Customers

We are committed to safeguarding the health of the community and are always concerned about their needs. By following our new vision "Elevate Your Health Value, Elevate Your Life"（昇華健康價值，共創豐盛人生）, we can provide patient-centric and quality focused services to our customers resulting in a lasting relationship with our customers.

Suppliers

The Group recognizes the importance of good relationship with its suppliers to ensure long-term sustainable growth for the Group. We strive to cultivate a mutually beneficial and trusting relationship with our suppliers and particularly this is crucial for us to engage and retain professional talents and hence provide quality services to our customers. Details of the relationship with our suppliers are set out in the section headed "Supply Chain Management" in the ESG Report on page 71 of this annual report.

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S LISTED SECURITIES

During FY2018, neither the Company nor any of its subsidiaries has purchased, sold or redeemed any of the Company's listed securities.

DIRECTORS

The Directors during FY2018 and up to the date of this annual report were:

Executive Directors

Mr. Chan Kin Ping *(Chairman and Chief Executive Officer)*
Dr. Pang Lai Sheung
Dr. Sat Chui Wan
Mr. Poon Chun Pong

Independent Non-executive Directors

Dr. Lui Sun Wing
Mr. Chan Yue Kwong Michael
Mr. Sin Kar Tim

In accordance with the Articles and the Listing Rules, Mr. Chan, Mr. Poon and Mr. Sin shall retire at the AGM and, being eligible, offer themselves for re-election.

BIOGRAPHICAL DETAILS OF DIRECTORS

Biographical details of the Directors are set out in the "Directors and Senior Management" on pages 17 to 23 of this annual report.

DIRECTORS' SERVICE CONTRACTS

Each of our executive Directors has entered into a service contract with our Company for a term of three years commencing from 1 April 2016, which may be terminated by not less than three months' notice in writing served by either party on the other.

Each of the independent non-executive Directors has entered into a letter of appointment with the Company for a term of three years commencing from 1 April 2016, which may be terminated by not less than three months' notice in writing served by either party on the other.

DIRECTORS' INTERESTS IN TRANSACTIONS, ARRANGEMENTS OR CONTRACTS

Save as disclosed under the section headed "Non-Exempt Continuing Connected Transactions" below and note 31 "Related Party Transactions" to the financial statements on pages 136 to 137 of this annual report, no Director nor a connected entity of a Director had a material interest, either directly or indirectly, in any transactions, arrangements or contracts of significance in relation to the business of the Group to which the Company, its holding company, or any of its subsidiaries was a party subsisted at the end of FY2018 or at any time during FY2018.

DIRECTORS' INTERESTS IN COMPETING BUSINESSES

Max Health Chinese Medicine Limited ("**Max Health**") is a company held as to 100% by Mr. Chan and is principally engaged in the provision of traditional Chinese medicine services and sales of health food. Max Health has ceased its business during FY2018. Save as disclosed above, as at 30 June 2018, none of the Directors have any interest in a business apart from the Group's business which competes or is likely to compete, either directly or indirectly, with the Group's business and would require disclosure pursuant to Rule 8.10 of the Listing Rules.

DIRECTORS', SENIOR MANAGEMENT'S AND EMPLOYEES' EMOLUMENTS

The Group's remuneration policy aims to provide a competitive remuneration to attract, retain and motivate high quality talent, having regard to the Group's and individual's performance and comparable market trends. At the same time, such awards must be aligned with the Shareholders' interests.

Particulars of Directors' remuneration and five highest paid employees are set out in notes 7 and 8 to the financial statements on pages 116 to 118 of this annual report.

The amount or value of fees and bonus (including doctors' or dentists' professional fees and honorarium as members of our doctor advisory board (as the case may be)) of the members of the senior management by bands for FY2018 is set out below:

Fees by bands	**Number of Individuals**
Nil to HK$3,000,000	2
HK$3,000,001 to HK$6,000,000	2
HK$6,000,001 to HK$9,000,000	4

No director waived any emolument during FY2018.

DIRECTORS' AND CHIEF EXECUTIVES' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the SFO (a) which were notified to the Company and the Stock Exchange pursuant to Divisions 7 and 8 of Part XV of the SFO (including interests and short positions which they were taken or deemed to have under such provisions of the SFO); or (b) which were required, pursuant to Section 352 of the SFO, to be entered in the register referred to therein; or (c) which were required, pursuant to the Model Code, to be notified to the Company and the Stock Exchange, were as follows:

Interests in Shares or underlying Shares

Name of Director	Capacity in which Shares/underlying Shares were held	Number of Shares/underlying Shares held	Approximate percentage of total issued Shares (note v)
Mr. Chan Kin Ping	Interest of controlled corporation (note i)	252,346,286 (note ii)	69.80%
	Beneficial owner	6,850,000	1.89%
Dr. Pang Lai Sheung	Interest of controlled corporation (note i)	252,346,286 (note ii)	69.80%
Dr. Sat Chui Wan	Beneficial owner	960,000 (note iii)	0.27%
Mr. Poon Chun Pong	Beneficial owner	888,000 (note iv)	0.25%

Notes:

(i) Mr. Chan, Dr. Pang and Treasure Group Global Limited ("**Treasure Group**") were our controlling shareholders (as defined in the Listing Rules). Treasure Group was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Mr. Chan is the director of Treasure Group.

(ii) These Shares were beneficially owned by Treasure Group. Mr. Chan and Dr. Pang were deemed to be interested in these Shares pursuant to Part XV of the SFO.

(iii) These Shares represented the underlying Shares under the share options granted on 4 October 2016.

(iv) 600,000 Shares represented the underlying Shares under the share options granted on 4 October 2016 and 288,000 Shares were beneficially owned by Mr. Poon.

(v) The percentages were calculated based on the total number of issued Shares as at 30 June 2018.

Interests in shares of Treasure Group Global Limited (the "Associated Corporation")

Name of Director	Capacity in which the shares were held	Number of shares held	Approximate percentage of total issued shares (note i)
Mr. Chan Kin Ping	Beneficial owner	1	50.00%
Dr. Pang Lai Sheung	Beneficial owner	1	50.00%

Note:

(i) The percentages were calculated based on the total number of issued shares of Treasure Group as at 30 June 2018.

All the above interests in the Shares and underlying Shares and the shares of the Associated Corporation were long positions.

Save as disclosed above, as at 30 June 2018, none of the Directors nor chief executives of the Company had any interests or short positions in the shares, underlying shares and debentures of the Company or the Associated Corporation, which were required to be notified to the Company and the Stock Exchange or recorded in the register as aforesaid.

ARRANGEMENT FOR DIRECTORS TO ACQUIRE SHARES OR DEBENTURES

Apart from the share option scheme conditionally approved and adopted by the written resolutions of the Shareholders on 17 February 2016 (the "**Share Option Scheme**"), at no time during FY2018 was the Company or any of its subsidiaries a party to any arrangement to enable a Director to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

SUBSTANTIAL SHAREHOLDERS' AND OTHER PERSONS' INTERESTS AND SHORT POSITIONS IN SHARES AND UNDERLYING SHARES

As at 30 June 2018, so far as it is known by or otherwise notified by any Director or the chief executives of the Company, the following persons (other than a Director or chief executive of the Company) had an interest or short position in the Shares and underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under section 336 of the SFO:

Name of substantial Shareholder	Capacity in which the Shares were held	Number of Shares held	Approximate percentage of total issued Shares (note iii)
Treasure Group Global Limited	Beneficial owner (note i)	252,346,286	69.80%
Capital Healthcare International Limited	Beneficial owner (note ii)	25,362,000	7.02%
Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司)	Interest of controlled corporation (note ii)	25,362,000	7.02%
Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司)	Interest of controlled corporation (note ii)	25,362,000	7.02%
The People's Government of Beijing Municipality	Interest of controlled corporation (note ii)	25,362,000	7.02%

Notes:

(i) The Shares were beneficially owned by Treasure Group, a company which was owned as to 50% by Mr. Chan and 50% by Dr. Pang. Therefore, Mr. Chan and Dr. Pang were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(ii) The Shares were beneficially owned by Capital Healthcare International Limited, which was wholly owned by Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司). Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司) was held as to 73.13% by Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司), which was wholly owned by The People's Government of Beijing Municipality. Therefore, Capital Healthcare Group Co., Ltd.* (首都醫療健康產業有限公司), Beijing State-owned Assets Management Co., Ltd.* (北京市國有資產經營有限責任公司) and The People's Government of Beijing Municipality were deemed to be interested in such Shares pursuant to Part XV of the SFO.

(iii) The percentages were calculated based on the total number of issued Shares as at 30 June 2018.

All the above interests in the Shares were long positions.

Save as disclosed above, the Directors are not aware of any other corporations or person who, as at 30 June 2018, had any interests or short positions in the Shares or underlying Shares (a) which would fall to be disclosed pursuant to Divisions 2 and 3 of Part XV of the SFO; or (b) as recorded in the register required to be kept under Section 336 of the SFO.

RELATED PARTY TRANSACTIONS

Details of related party transactions of the Group during FY2018 are set out in note 31 to the financial statements on pages 136 to 137 of this annual report. Such transactions were either (i) fully exempt from the reporting, annual review, announcement and independent shareholders' approval requirements under Rule 14A.76(1) of the Listing Rules; or (ii) non-exempt continuing connected transactions as set out in the section headed "Non-Exempt Continuing Connected Transactions" in this annual report; or (iii) did not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules. Our Directors confirm that these transactions were conducted in the ordinary and usual course of business of the Group and on normal commercial terms or such terms that were no less favourable to our Group than those available to independent third parties and were fair and reasonable and in the interest of the Shareholders as a whole. The Company confirms that the related party transactions (as the case may be) comply with the disclosure requirements in accordance with Chapter 14A of the Listing Rules.

NON-EXEMPT CONTINUING CONNECTED TRANSACTIONS

Dr. Choi Tat Fai, Richard's Cooperation Agreement

Dr. Choi Tat Fai, Richard ("**Dr. Choi**") entered into the cooperation agreement with Be Health for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Choi's cooperation agreement:

1. Dr. Choi's sole proprietorship shall provide specialties services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Be Health shall grant Dr. Choi's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his medical practice at our medical centres;

3. Be Health shall provide management and administrative services to Dr. Choi's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Be Health are equivalent to all the fees received from customers for the specialties services provided by his sole proprietorship at our medical centres.

Dr. Choi (through his sole proprietorship) shall be entitled to receive professional fee for the provision of specialties services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Choi (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent specialists providing specialties services at the medical centres operated by us.

Dr. Choi Tat Fai, Richard's Cooperation Agreement *(continued)*

For FY2018, the fees paid by Be Health to Dr. Choi's sole proprietorship amounted to approximately HK$2,493,000 and did not exceed the annual cap of HK$11,000,000 for the year.

Given that Dr. Choi was a director of Perfect Life during FY2018 and that Dr. Choi's cooperation agreement was entered into by Be Health, and Dr. Choi and his sole proprietorship, the transactions under Dr. Choi's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Seto Siu Keung's Cooperation Agreement

Dr. Seto entered into the cooperation agreement with Poly Dental for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Seto's cooperation agreement:

1. Dr. Seto's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Seto's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres;

3. Poly Dental shall provide management and administrative services to Dr. Seto's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Poly Dental are equivalent to all the fees received from customers for the dental services provided by his sole proprietorship at our medical centres.

Dr. Seto (through his sole proprietorship) shall be entitled to receive professional fee for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Seto (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres operated by us.

For FY2018, the fees paid by Poly Dental to Dr. Seto's sole proprietorship amounted to approximately HK$6,186,000 and did not exceed the annual cap of HK$7,661,000 for the year.

Given that Dr. Seto is a director of each of Poly Dental, Good Standard, Laserdontics and Seto & Wan and that Dr. Seto's cooperation agreement was entered into by Poly Dental, and Dr. Seto and his sole proprietorship, the transactions under Dr. Seto's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Lau Wai Man's Cooperation Agreement

Dr. Lau entered into the cooperation agreement with Poly Dental for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Lau's cooperation agreement:

1. Dr. Lau's sole proprietorship shall provide dental services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Poly Dental shall grant Dr. Lau's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his dental practice at our medical centres;

3. Poly Dental shall provide management and administrative services to Dr. Lau's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Poly Dental are equivalent to all the fees received from customers for the dental services provided by his sole proprietorship at our medical centres.

Dr. Lau (through his sole proprietorship) shall be entitled to receive professional fee for the provision of dental services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Lau (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement are commensurate to those typically offered to other independent dentists providing dental services at the medical centres operated by us.

For FY2018, the fees paid by Poly Dental to Dr. Lau's sole proprietorship amounted to approximately HK$6,337,000 and did not exceed the annual cap of HK$9,000,000 for the year.

Given that Dr. Lau is a director of each of Poly Dental, Good Standard, Laserdontics and Seto & Wan and that Dr. Lau's cooperation agreement was entered into by Poly Dental, and Dr. Lau and his sole proprietorship, the transactions under Dr. Lau's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Dr. Chan Siu Yu's Cooperation Agreement

Dr. Chan Siu Yu entered into the cooperation agreement with Human Health Medical Services for a term of three years commencing from 1 September 2015. The following is the summary of material provisions under Dr. Chan Siu Yu's cooperation agreement:

1. Dr. Chan Siu Yu's sole proprietorship shall provide general practice services at our medical centres and shall at all times act in good faith towards his sole proprietorship and maintain the highest possible professional standards and reputation of his sole proprietorship;

2. Human Health Medical Services shall grant Dr. Chan Siu Yu's sole proprietorship the right to use the proprietary names and the proprietary rights for the sole purpose of carrying out his medical practice at our medical centres;

3. Human Health Medical Services shall provide management and administrative services to Dr. Chan Siu Yu's sole proprietorship including, inter alia, providing supporting staff and medical equipment as well as general accounting services and administrative support; and

4. The fees charged by Human Health Medical Services are equivalent to all the fees received from customers for the general practice services provided by his sole proprietorship at our medical centres.

Dr. Chan Siu Yu (through his sole proprietorship) shall be entitled to receive professional fee for the provision of general practice services at our medical centres either at the higher of (a) a monthly fixed fee or (b) at a certain percentage of the amount of net monthly revenue (which refers to revenue received or receivable at our medical centres generated by Dr. Chan Siu Yu (through his sole proprietorship), less relevant direct costs such as drugs costs and laboratory charges). Such percentage, monthly fixed fee as well as overall fee arrangement is commensurate to those typically offered to other independent general practitioners providing general practice services at the medical centres operated by us.

For FY2018, the fees paid by Human Health Medical Services to Dr. Chan Siu Yu's sole proprietorship amounted to approximately HK$2,396,000 and did not exceed the annual cap of HK$4,000,000 for the year.

Given that Dr. Chan Siu Yu is the nephew of Mr. Chan and Dr. Pang and that Dr. Chan Siu Yu's cooperation agreement was entered into by Human Health Medical Services, and Dr. Chan Siu Yu and his sole proprietorship, the transactions under Dr. Chan Siu Yu's cooperation agreement constitute continuing connected transactions of our Company under Chapter 14A of the Listing Rules.

Opinion from The Independent Non-executive Directors and Auditor on The Continuing Connected Transaction

The Company's auditor was engaged to report on the Group's non-exempt continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) Assurance Engagements Other Than Audits or Reviews of Historical Financial Information and with reference to Practice Note 740 Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued its unqualified letter containing its findings and conclusions in respect of the continuing connected transactions disclosed above by the Group in accordance with Rule 14A.56 of the Listing Rules.

The independent non-executive Directors (with the assistance of the internal audit function) have reviewed these transactions and confirmed that the non-exempt continuing connected transactions have been entered into:

(a) in the ordinary and usual course of business of the Group;

(b) on normal commercial terms or better; and

(c) according to the agreements governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Directors confirm that the Company has complied with the requirements of Chapter 14A of the Listing Rules in respect of all of its continuing connected transactions.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during FY2018.

MAJOR CUSTOMERS AND SUPPLIERS

The aggregate sales attributable to the Group's five largest customers accounted for approximately 13.3% and the largest customer accounted for approximately 3.9% of the Group's total revenue for FY2018.

The aggregate purchases attributable to the Group's five largest suppliers accounted for approximately 13.0% and the largest supplier accounted for approximately 3.5% of the Group's total purchases for FY2018.

None of the Directors, their close associates or any Shareholders (which to the knowledge of the Directors own more than 5% of the issued Shares) had an interest in the five largest suppliers or customers of the Group.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, the Company has maintained sufficient public float as required under the Listing Rules at any time during FY2018 and up to the date of this annual report.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights under the Articles or the laws of the Cayman Islands, which would oblige the Company to offer new shares on a pro-rata basis to its existing Shareholders.

EQUITY-LINKED AGREEMENTS

Save for the Share Option Scheme as set out below in this annual report, no equity-linked agreements were entered into by the Company during FY2018 or subsisted at the end of FY2018.

CONVERTIBLE SECURITIES, OPTIONS, WARRANTS OR SIMILAR RIGHTS

Other than the Share Option Schemes as set out below in this annual report, the Company had no outstanding convertible securities, options, warrants or similar rights as at 30 June 2018. There has been no issue or exercise of the conversion rights or subscription rights under any convertible securities, options, warrants or similar rights granted by the Company or any of its subsidiaries during FY2018.

SHARE OPTION SCHEME

The following is a summary of the principal terms of the Share Option Scheme. Our Directors confirm that the terms of the Share Option Scheme comply with the requirements under Chapter 17 of the Listing Rules.

(a) Purpose

The purpose of the Share Option Scheme is to provide incentive or reward to eligible persons (as defined in paragraph (b) below) for their contribution to, and continuing efforts to promote the interests of, our Group and for such other purposes as the Board may approve from time to time.

SHARE OPTION SCHEME *(continued)*

(b) Participants

The Board may, at its absolute discretion, offer eligible persons (being any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of our Group or such other persons who in the sole opinion of the Board have contributed to and/or will contribute to our Group) (the "**Eligible Persons**") share options to subscribe for such number of Shares in accordance with the terms of the Share Option Scheme.

(c) Total number of Shares available for issue under the Share Option Scheme

The maximum aggregate number of Shares which may be issued upon exercise of all outstanding options granted and yet to be exercised under the Share Option Scheme and any other share option schemes of our Company, must not, in aggregate, exceed 30% of the total number of Shares in issue from time to time. No options may be granted under the Share Option Scheme and any other share option schemes of our Company if this will result in such limit being exceeded.

The total number of Shares to be issued upon exercise of all share options to be granted under the Share Option Scheme and any other share option schemes of our Company must not in aggregate exceed 35,000,000 Shares, representing 10% of the total number of the Shares in issue as at 1 April 2016 and approximately 9.68% of the total number of the Shares in issue as at the date of this annual report unless further Shareholders' approval has been obtained pursuant to the requirements set out in the Share Option Scheme and the Listing Rules.

(d) Maximum entitlement of each participant

Subject to the requirements set out in the Share Option Scheme and the Listing Rules, no option shall be granted to any Eligible Person (the "**Relevant Eligible Person**") if, at the relevant time of grant, the number of Shares issued and to be issued upon exercise of all options (granted and proposed to be granted, whether exercised, cancelled or outstanding) to the Relevant Eligible Person in the 12-month period expiring on the date on which an offer of the grant of an option under the Share Option Scheme is made to the Relevant Eligible Person would exceed 1% of the total number of Shares in issue at such time.

(e) Basis of determining the exercise price

The subscription price for a Share in respect of any particular share option granted under the Share Option Scheme (which shall be payable upon exercise of the share option) shall be a price solely determined by the Board and notified to the Eligible Person and shall be at least the highest of (i) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of offer to grant option (the "**Offer Date**"), which must be a business day; (ii) the average of the closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the Offer Date; and (iii) the nominal value of the Share.

SHARE OPTION SCHEME *(continued)*

(f) Time for acceptance and the amount payable on acceptance of the option

An offer for the grant of the share option must be accepted within 28 days from the Offer Date with a consideration of HK$1.00 is payable on acceptance of the offer.

(g) Time of exercise of option

Subject to the provisions of the Share Option Scheme and the Listing Rules, the Board may in its absolute discretion when offering the grant of an option impose any conditions in relation thereto in addition to those set forth in the Share Option Scheme as the Board may think fit (to be stated in the offer letter) including (without prejudice to the generality of the foregoing) qualifying and/or continuing eligibility criteria, achievement of performance targets by our Group and/or the grantee period before the right to exercise the option in respect of all or any of the Shares shall vest provided that such terms or conditions shall not be inconsistent with any other terms or conditions of the Share Option Scheme and the Listing Rules. For the avoidance of doubt, subject to such terms and conditions as the Board may determine as aforesaid (including such terms and conditions in relation to their vesting, exercise or otherwise) there is no minimum period for which an option must be held before it can be exercised and no performance target which need to be achieved by the grantee before the option can be exercised. The exercise period shall commence after a vetting period (if any) and expire in any event not later than the last day of the 10 years period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Share Option Scheme.

(h) Life of the Share Option Scheme

The Share Option Scheme shall be valid and effective for a period of 10 years from 1 April 2016, after which period no further options shall be granted but the provisions of the Share Option Scheme shall remain in full force and effect to the extent necessary to give effect to the exercise of any options granted prior thereto which are at that time or become thereafter capable of exercise under the Listing Rules, or otherwise to the extent as may be required in accordance with the provisions of the Share Option Scheme.

SHARE OPTION SCHEME *(continued)*

Details of movements of the share options granted under the Share Option Scheme during FY2018 were as follow:

Name of Grantees	Position held with the Group	Offer Date	Exercise Price per Share Option	Exercise Period	Number of Outstanding Share Options as at 1 July 2017	Number of Share Options Granted during FY2018	Number of Share Options Exercised during FY2018	Number of Share Options Lapsed during FY2018	Number of Share Options Cancelled during FY2018	Number of Outstanding Share Options as at 30 June 2018
Dr. Sat Chui Wan	Executive Director, Chief Financial Officer	4 October 2016	HK$2.214 (note (iii))	4 October 2019 to 3 October 2022 (note (i))	960,000	–	–	–	–	960,000
Mr. Poon Chun Pong	Executive Director, Chief Operating Officer	4 October 2016	HK$2.214 (note (iii))	4 October 2019 to 3 October 2022 (note (i))	600,000	–	–	–	–	600,000
Other eligible persons – employees (in aggregate)	–	4 October 2016	HK$2.214 (note (iii))	4 October 2019 to 3 October 2022 (note (i))	780,000	–	–	–	–	780,000
Other eligible persons – suppliers (in aggregate)	–	4 October 2016	HK$2.214 (note (iii))	4 October 2019 to 3 October 2022 (note (i))	400,000	–	–	–	–	400,000
Other eligible persons – employees (in aggregate)	–	28 May 2018	HK$2.09 (note (iv))	1 June 2021 to 31 May 2027 (note (ii))	–	160,000	–	–	–	160,000
Other eligible persons – suppliers (in aggregate)	–	28 May 2018	HK$2.09 (note (iv))	1 June 2021 to 31 May 2027 (note (ii))	–	300,000	–	–	–	300,000
Total					2,740,000	460,000	–	–	–	3,200,000

Note:

(i) The share options shall be exercisable from 4 October 2019 to 3 October 2022 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:

(a) The first 33% of the share options shall be exercisable from 4 October 2019 to 3 October 2022;

(b) The second 33% of the share options shall be exercisable from 4 October 2020 to 3 October 2022; and

(c) The remaining 34% of the share options shall be exercisable from 4 October 2021 to 3 October 2022.

(ii) The share options shall be exercisable from 1 June 2021 to 31 May 2027 (both dates inclusive) subject to a vesting scale in 3 tranches set out below:

(a) The first 33% of the share options shall be exercisable from 1 June 2021 to 31 May 2027;

(b) The second 33% of the share options shall be exercisable from 1 June 2022 to 31 May 2027; and

(c) The remaining 34% of the share options shall be exercisable from 1 June 2023 to 31 May 2027.

(iii) The closing price of the Shares immediately before the dates on which the share options were granted during FY2017 was HK$2.20 per Share.

(iv) The closing price of the Shares immediately before the dates on which the share options were granted during FY2018 was HK$2.02 per Share.

SHARE OPTION SCHEME *(continued)*

As at 30 June 2018, the 3,200,000 share options granted remained outstanding and no share options have been exercised, lapsed or cancelled during FY2018.

The values of the share options granted in FY2017 and FY2018 are set out in note 26 to the financial statements on pages 132 to 134 of this annual report.

PENSION SCHEME ARRANGEMENTS

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") in Hong Kong under the Mandatory Provident Fund Schemes Ordinance for those employees who are eligible to participate in the MPF Scheme. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

A subsidiary and a joint venture entity operating in the PRC are required to participate in defined contribution retirement schemes organised by the relevant local government authorities since incorporation.

PERMITTED INDEMNITY PROVISION

Pursuant to the Articles, Directors shall be entitled to be indemnified and secured harmless out of the assets and profits of the Company from and against all actions, costs, charges, losses, damages and expenses which he/she may sustain or incur in or about the execution of the duties of his/her office or otherwise in relation thereto. The stated permitted indemnity provision (as defined in the Companies Ordinance (Chapter 622 of the Laws of Hong Kong ("**Hong Kong Companies Ordinance**")) for the benefit of the Directors is currently in force and was in force throughout FY2018.

NON-COMPETITION UNDERTAKING BY CONTROLLING SHAREHOLDERS

Mr. Chan, Dr. Pang and Treasure Group (collectively, the "**Controlling Shareholders**") entered into a deed of non-competition in favor of the Company (and as trustee for its subsidiaries) dated 15 March 2016 (the "**Deed of Non-Competition**"). The Controlling Shareholders confirmed their compliance with all the undertakings provided under the Deed of Non-Competition. The independent non-executive Directors, based on the confirmation from the Controlling Shareholders, consider that, during FY2018, the terms of the Deed of Non-Competition have been complied with by the Controlling Shareholders.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE PRACTICES

Details of our environment, social and governance practices are set out in the "ESG Report" on pages 57 to 74 of this annual report.

COMPLIANCE WITH LAWS AND REGULATIONS

During FY2018 and up to the date of this annual report, our Group had complied with the relevant laws and regulations in relation to its business in all material respects and there were no material breaches or violations of the laws and regulations applicable to our Group that would have a material adverse effect on its business and financial position taken as a whole.

AUDITOR

Ernst & Young will retire and a resolution for their reappointment will be proposed at the AGM.

On behalf of the Board

Chan Kin Ping
Chairman

Hong Kong, 26 September 2018

* *for identification purpose only*

Environmental, Social and Governance Report

I. PREAMBLE

As a leading integrated healthcare service provider in Hong Kong, the Group pursues excellence in environmental protection and social responsibility. The Board believes that a sound environmental, social and governance structure is vital for sustainable and continued development of the Group. Meanwhile, the Group also wishes to enhance its transparency to achieve and uplift the sense of environmental protection and social caring amongst various stakeholders. This ESG Report is designed to allow Shareholders, stakeholders and the public to have a more comprehensive and profound understanding of the Group's sustainability strategies, practices, plans and performances. The Group is pleased to present the ESG Report to demonstrate its efforts in sustainable development for FY2018.

II. REPORTING PERIOD

This ESG Report is prepared in accordance with the 《ESG Reporting Guide》 as set out in Appendix 27 to the Listing Rules. The reporting period of this ESG Report is for the FY2018, unless specifically stated otherwise. Environmental data within this reporting period are collected and carefully processed for the preparation of this ESG Report. For corporate governance practices, please refer to the "Corporate Governance Report" on pages 24 to 37 of this annual report.

III. REPORTING SCOPE

All of the medical centres, office and warehouse included in this ESG Report are located within Hong Kong and operated during FY2018. For medical centres that opened or closed during FY2018, actual consumption data was used for the calculation of the environmental KPIs. There is one medical centre in the PRC that is excluded from the ESG Report.

IV. STAKEHOLDER ENGAGEMENT

The Group acknowledges the need and importance of the stakeholder engagement as one of the key elements in the preparation of this ESG Report. To conduct the Group's materiality assessment in identifying and understanding the main concerns and material interests of stakeholders, the Group has engaged and selected both internal and external stakeholders based on their influence and dependence on the Group. Stakeholders with high level of influence and dependence on the Group were selected by the Group's management. The selected stakeholders have been invited to express their views and concerns on major social and environmental issues through questionnaire. With respect to this ESG Report, the Group identified occupational health and safety measures, product and service quality, customer satisfaction and privacy policy as the issues of the highest importance to stakeholders.

After assessing the feedback from internal and external stakeholders, the Group has reviewed the sustainability strategies, practices and measures it undertook in FY2018 and highlighted the material and relevant aspects throughout this ESG Report so as to align with the stakeholders' expectations.

V. ENVIRONMENTAL DATA

Data required for the preparation of this ESG Report adheres to the 《ESG Reporting Guide》 set out in Appendix 27 to the Listing Rules. Data collection is based on a combination of surveys and operational data compiled by the Group. As this is the first year for the Group to report on its environmental key performance indicators (the "**KPIs**"), no comparative figures from past years are available.

VI ENVIRONMENTAL SUSTAINABILITY

The Group is committed to the long-term sustainability of the environment and community. The Group stringently controls the production of air and greenhouse gas ("**GHG**"), wastewater and solid waste. The Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to air and GHG emission, discharge into water and land, and generation of hazardous and non-hazardous waste during FY2018.

The following tables present the environmental data as collected, calculated and analysed, in the sequence as required by the《ESG Reporting Guide》. All figures in the following tables are rounded to 2 decimal places, which might lead to minor discrepancies in numbers.

A1 Emissions

KPI A1.1 Type of Emissions and Respective Emissions Data

The only type of air emissions from the Group's operations stems from direct emissions is the operation of company vehicles. Motor vehicles generate direct air pollutants, including nitrogen oxides ("**NOx**"), sulphur oxides ("**SOx**") and particulate matter ("**PM**").

Calculations of the Group's direct air emissions from vehicles make reference to local guidelines, manufacturer's estimations and interviews with dealerships. A desktop research based approach is utilized in place of actual data, due to limitation of available data. The Group will begin monitoring total distanced travelled of its vehicles for more accurate estimation in the future. Distance driven by each vehicle is estimated by using amount of fuel consumed and the average fuel efficiency of the specific vehicles.

Table 1 KPI A1.1 Types of emission and respective emission data.

Direct Air Emissions (kg)*

NOx	4.01
SOx	0.06
PM	0.29

* *All figures in the above table are approximate quantity.*

KPI A1.2 Greenhouse Gas Emissions

In FY2018, the Group engaged an independent consultant to quantify and assess the GHG emissions from its operations. The quantification process references to both local and international guidelines, including the Guidelines to Account for and Report on Greenhouse Gas Emissions and Removals for Buildings (Commercial, Residential or Institutional Purposes) in Hong Kong published by the Environmental Protection Department and the Electrical and Mechanical Services Department, as well as other international standards such as the Greenhouse Gas Protocol developed by the World Resources Institute and World Business Council for Sustainable Development.

For the purpose of this ESG report, the approach of GHG emissions calculations used is operational control approach, which accounts for GHG emissions from a company's operations over which it has direct operational control and authority to introduce and implement operating policies.

According to《GHG Protocol》, three scopes are defined for GHG accounting and reporting purposes:

- Scope 1: Direct GHG emissions
- Scope 2: Energy indirect GHG emissions
- Scope 3: Other indirect GHG emissions

Table 2 presents the GHG emissions by scopes and emissions-releasing activities, per location and as an entity.

Table 2 KPI A1.2 Greenhouse gas emissions in total (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Sources of Emissions (Emissions in tonnes of CO_2-e)	**Office & Warehouse**	**Medical Centres**	**Total Emissions**	**Percentage of Emissions**
Scope 1 – Direct Emissions				
Mobile combustion sources	10.87	0.00	10.87	1.39
Scope 1 Emissions Total	10.87	0.00	10.87	1.39
Scope 2 – Energy Indirect Emissions				
Electricity purchased	54.31	714.42	768.73	98.61
Scope 2 Emissions Total	54.31	714.42	768.73	98.61

Sources of Emissions (Emissions in tonnes of CO_2-e)	Office & Warehouse	Medical Centres	Total Emissions	Percentage of Emissions
Total Scope 1 emissions			10.87	1.39
Total Scope 2 emissions			768.73	98.61
Total Emissions			**779.60**	**100.00**

General intensity of GHG emission (Scope 1 & 2):

By FTE* 1.99 tCO2e- / person

By Revenue* 0.00 tCO2e- / HK$'000

* *full time employees of the Group for FY2018*

* *revenue of the Group for FY2018*

KPI A1.3 Hazardous Waste

The operation of the Group's medical centres involves the production of chemical and clinical waste. Table 3 presents the amount of total hazardous waste produced in tonnes and, where appropriate, intensity.

The Group has contracted external waste collectors to handle the waste properly. Clinical waste and chemical waste are collected by respective professional service provider for further treatment.

Table 3 KPI A1.3 Total hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Hazardous Waste*	Unit	Medical Centres
Chemical Waste	Tonnes	0.07
Clinical Waste	Tonnes	1.10
Total Hazardous Waste		**1.17**

* *All figures in the above table are approximate quantity.*

General intensity of hazardous waste production:

By Revenue 0.00 kg/HK$'000

KPI A1.4 Non-Hazardous Waste

The Group keeps track of the amount of paper consumption, including office paper and fax paper, at its office and medical centres. It is assumed that there is no paper in storage prior to FY2018, and that all purchased paper are consumed, and either be recycled or disposed within FY2018.

The Group has taken following measures to reduce paper consumption.

- Set computer defaults to print double-sided when possible;
- Use electronic messages for internal information distribution and implement spreadsheet system such as online application system for leave and electronic payslip; and
- Install a waste paper recycling bin in the offices to reuse and recycle waste paper.

Currently, the Group does not have a monitoring system in place to record the amount of nonhazardous waste it generates. However, an annual non-hazardous waste production estimation was performed for all offices and medical centres during FY2018. Non-hazardous waste was collected and weighed at the office for 5 consecutive days to estimate the weight of one bag of non-hazardous waste. According to the scope of operation, the Group then further assumed that its offices, small medical centres and large medical centres produce 23.04 kg, 1.92 kg and 3.84 kg of non-hazardous waste in a working day respectively.

Table 4 presents the amount of non-hazardous waste produced in tonnes and, where appropriate, intensity. Table 5 presents the type and amount of non-hazardous waste recycled, and their respective recycling rate.

Table 4 KPI A1.4 Total non-hazardous waste produced (in tonnes) and, where appropriate, intensity (e.g. per unit of production volume, per facility).

Non-Hazardous Waste	**Unit**	**Office & Warehouse**	**Medical Centres**	**Total**
Paper Waste	Tonnes	5.30	3.47	8.77
Other Non-Hazardous Waste	Tonnes	5.69	52.92	58.61
Total Non-Hazardous Waste				**67.38**

General intensity of non-hazardous waste production:

By FTE	0.17 tonnes/person
By Revenue	0.00 tonnes/HK$'000

Table 5 Total non-hazardous waste recycled (in tonnes) and its respective recycling rate.

Recycled Items	**Total (Tonnes)**	**Recycling Rate (%)**
Paper	0.83	8.60

KPI A1.5 Measures to Mitigate Emissions and Results Achieved

The Group has taken measures to mitigate emissions as follows.

Air and GHG

Due to the business nature, the Group has little direct air emission. The Group understands that GHG generation is positively correlated to electricity consumption. Therefore, it has taken measures to reduce its electricity consumption. The specific practices will be further described in the section KPI A2.3 of this ESG Report.

Wastewater

Wastewater produced by the Group is further discharged to the municipal wastewater treatment plant through the sewage pipe work. Since wastewater generation is positively correlated to water consumption, the Group has adopted specific measures to reduce its water consumption, which are further explained in the section A2.4 of this ESG Report.

KPI A1.6 Handling of Hazardous and Non-Hazardous Waste and Results Achieved

Wastes produced by the Group mainly include domestic solid wastes, clinical solid wastes and chemical solid wastes. The collection and treatment for domestic solid wastes are handled by the respective management offices. The clinical solid wastes are put in garbage bags and collected by the clinical waste collection service provider. The chemical solid wastes are mainly categorized into two types of waste: Part I poisons & antibiotic preparations and Part II poisons & non-poison pharmaceutical products. These classifications are defined in the Pharmacy & Poisons Ordinance (Cap 138 of the Laws of Hong Kong), Antibiotics Ordinance (Cap 137 of the Laws of Hong Kong) and Dangerous Drugs Ordinance (Cap 134 of the Laws of Hong Kong). Once the wastes are categorized, they will be disposed into relevant containers. The containers are temporarily located in a chemical waste storage area within the medical centres and collected by the chemical waste service provider at least every six months or when required.

For clinical solid wastes, the Group has registered for the disposal of hazardous waste according to the Waste Disposal Ordinance (Chapter 354 of the Laws of Hong Kong) and the Waste Disposal (Clinical Waste) (General) Regulation (Chapter 354O of the Laws of Hong Kong), and engaged a qualified clinical waste collector licensed by the Environmental Protection Department to dispose clinical solid wastes such as sharp boxes which contain clinical use sharps and needles. For chemical solid wastes, the Group has registered as a chemical waste producer for each medical centre according to Waste Disposal Ordinance (Cap 354 of the Laws of Hong Kong) and Waste Disposal (Chemical Waste) (General) Regulation (Cap 354C of the Laws of Hong Kong), and engaged an authorized chemical waste collector by the Environmental Protection Department to dispose chemical solid wastes such as expired poison and antibiotic preparations. Drug management is under purview of the purchasing department of the Group. Moreover, the internal policy of the Group ensures safe disposal of hazardous substances and wastes.

A2 Use of Resources

KPI A2.1 Direct/Indirect Energy Consumption

Direct and/or indirect energy consumptions by type (electricity, gas or oil) is presented in Table 6 in respective original measurement units, in total (kWh in '000s), and by intensity.

Table 6 KPI A2.1 Direct and/or indirect consumption by type (e.g. electricity, gas or oil) in total (kWh in '000s) and intensity (e.g. per unit of production volume, per facility).

Sources of Energy Consumption	Unit	Consumption	Corresponding Energy Consumption ("MJ")
Electricity Usage*	kWh	1,406,221.33	5,062,396.81
Gasoline	L	4,085.40	137,187.73
Total Energy Consumption*			**5,199,584.54**

* *2 medical centres are excluded from the calculation due to data limitation.*

General intensity of energy consumption:

By FTE	13,264.25 MJ/person	By Revenue	10.04 MJ/HK$'000

General intensity of electricity consumption:

By FTE	3,587.30 kWh/person	By Revenue	2.71 kWh/HK$'000

KPI A2.2 Water Consumption

The following table presents the amount of water consumed in total and intensity. Water consumption data from several medical centres was inaccessible as their water usages are covered by respective property management. These centres are excluded from the water consumption calculation.

In addition, some water bill data was unavailable due to quarterly billing. For the missing data, an average daily use was calculated for the previous billing period, and this was multiplied by the number of unbilled days in the fiscal year.

Table 7 KPI A2.2 Water consumption in total and intensity (e.g. per unit of production volume, per facility).

	Unit	Office & Warehouse	Medical Centres	Total
Water Consumption*	m^3	135.76	3,361.22	3,496.98

* *18 medical centres are excluded from the calculation due to data limitation.*

General intensity of water consumption:

By FTE	8.92 m^3/person	By Revenue	0.01 m^3/HK$'000

KPI A2.3 Energy Use Efficiency Initiatives and Results Achieved

The Group has taken the energy use efficiency initiatives as follows.

Most of the Group's electricity consumption directly comes from the operation of medical centres. To ensure the effective use of electricity, several practices have been applied by the Group in FY2018, including the following:

- Turn office lights, computers and air-conditioners off whenever and wherever not necessary;
- Clean and maintain the office equipment regularly (such as refrigerators, air-conditioners, paper shredders, etc.) to ensure they run efficiently;
- Use high energy efficient compact fluorescent light bulbs; and
- Replace high electricity consumption appliances with those with energy-saving-label.

KPI A2.4 Issue in Sourcing Water, Water Efficiency Initiatives and Results Achieved

No issues has been reported in sourcing water.

The Group has taken water efficiency initiatives as follows.

Water consumption by the Group is entirely generated from the use by its doctors, dentists, other practitioners and staff during the working hours in offices and medical centres. Due to the business nature, practitioners and frontline staff are required to have frequent hand washing to prevent disease from spreading. Therefore, the amount of water consumption (especially in medical centres) is based on clinical need and infection control measures. However, all of them are always reminded to be conscientious of water use and saving resources.

KPI A2.5 Packaging Material for Finished Products

The Group mostly uses plastic packaging materials for prescriptions in its medical centres. The medications prescribed and each drug must be packed individually in separate bags, all packing bags should have corresponding drug labels with relevant patient and drug information for identification. The daily consumption of packaging material includes mainly bags with the Group logo, drug bags, potion bottles, ointment boxes and thermo labels. Similar to paper consumption, it is assumed that all packaging materials purchased are consumed within FY2018 and that there was no packaging material in storage prior to FY2018. Table 8 presents the total amount of packaging material used.

The Group has taken following measures to reduce packaging materials consumption.

- Remind relevant employees to save packaging materials whenever possible; and
- Design packaging materials to fit in the general need of medicine packaging to avoid unnecessary waste.

Table 8 KPI A2.5 Total packaging material used for finished products (in tonnes) and, if applicable, with reference to per unit produced.

	Unit	Office & Warehouse	Medical Centres	Total
Plastic Packaging	Tonnes	11.08	33.53	44.61
Others	Tonnes	97.37	0.00	97.37
Total Packaging Material Used				**141.98**

General intensity of packaging material used:

By Revenue 0.00 tonne/HK$'000

A3 The Environment and Natural Resources

KPI A3.1 Significant Impacts of Activities on the Environment and Natural Resources and Actions Taken

In order to minimize the Group's impact on the environment and natural resources, the Group adopted various policies as stated above to ensure the effective use of resources and uplift the sense of environmental protection within the Group. For details of actions taken to manage hazardous waste and electricity consumption, of which the Group cause relatively significant impact on the environment, please refer to the "Handling of Hazardous and Non-Hazardous Waste and Results Achieved" under section KPI A1.6 and "Energy Use Efficiency Initiatives and Results Achieved" under section KPI A2.3 of this ESG report respectively.

The Group will continue to commit to the safety, harmony and green development and invest more in resource-saving and environmental protection.

Summary of environmental KPIs

Table 9 Summary table of environmental KPIs by office & warehouse and medical centres.

Key Performance Indicators	Unit	Office & Warehouse	Medical Centres	Total
Environmental				
Air Emissions				
NOx Emissions	kg	4.01	–	4.01
SOx Emissions	kg	0.06	–	0.06
PM Emissions	kg	0.29	–	0.29
Greenhouse Gas (GHG) Emissions				
GHG Emissions (Scope 1 & 2)	tCO_2e	65.18	714.42	779.60
GHG Emissions (Scope 1 & 2) Intensity By Revenue	tCO_2e/ HKD'000	–	–	0.00
GHG Emissions (Scope 1 & 2) Intensity By FTE	tCO_2e/ person	–	–	1.99
Energy Consumption				
Electricity Usage	kWh	106,488.49	1,299,732.84	1,406,221.33
Gasoline	L	4,085.40	–	4,085.40
Overall Energy Usage	MJ	520,546.30	4,679,038.24	5,199,584.54
Energy Intensity by Revenue	MJ/HKD'000	–	–	10.04
Energy Intensity by FTE	MJ/Person	–	–	13,264.25
Electricity Intensity By Revenue	kWh/HKD'000	–	–	2.71
Electricity Intensity By FTE	kWh/Person	–	–	3,587.30
Water Consumption				
Water Consumption	m^3	135.76	3,361.22	3,496.98
Water Consumption Intensity By Revenue	m^3/ HKD'000	–	–	0.01
Water Consumption Intensity By FTE	m^3/Person	–	–	8.92

Key Performance Indicators	Unit	Office & Warehouse	Medical Centres	Total
Waste Disposed				
Chemical Waste	Tonnes	–	0.07	0.07
Clinical Waste	Tonnes	–	1.10	1.10
Hazardous Waste Intensity By Revenue	Tonnes/ HKD'000	–	–	0.00
Paper Waste	Tonnes	5.30	3.47	8.77
Other Non-Hazardous Waste	Tonnes	5.69	52.92	58.61
Non-Hazardous Waste Intensity By Revenue	Tonnes/ HKD'000	–	–	0.00
Non-Hazardous Waste Intensity By FTE	Tonnes/ Person	–	–	0.17
Waste Recycled				
Paper	Tonnes	0.83	–	0.83
Paper Recycling Rate	%	13.48	–	8.60
Packaging Material				
Plastic	Tonnes	11.08	33.53	44.61
Others	Tonnes	97.37	–	97.37
Overall Packaging Material Usage	Tonnes	108.45	33.53	141.98
Packaging Material Intensity By Revenue	Tonnes/ HK$'000	–	–	0.00

VII. SOCIAL SUSTAINABILITY

Employment and Labour Practices

B1 Employment

Through diversity management, the Group has established a close relationship of mutual trust and support between the Group and its employees, and has created a positive, healthy and motivated corporate culture and working environment.

During FY2018, the Group is not aware of any material noncompliance with relevant laws and regulations that have a significant impact on the Group in relation to compensation and dismissal, recruitment and promotion, working hours, rest periods, equal opportunity, diversity, anti-discrimination, and other benefits and welfare in Hong Kong. The Group has formulated internal staff handbooks to frontline staff and office staff in aspects of its human resources policies, such as compensation and dismissal, recruitment and promotion, working hours, rest periods, benefits and disciplines required. The human resources and administration department of the Group reviews and updates the relevant company policies regularly in accordance with the latest laws and regulations.

Talent acquisition is vital to the Group's business future development. To attract high-calibre candidates, the Group offers competitive and fair compensation packages based on their experience, professional qualifications, specialised areas of study or practice and previous compliance records. The Group also makes reference to market benchmarks. In order to motivate and reward existing employees, the Group conducts a performance assessment regularly according to overall market environment, their performance and financial performance of the Group. This ensures that its employees are recognised by the Group with regard to their working efforts and have opportunities to get promoted and compensation adjustment. The Group has also adopted the share option scheme as a return sharing to those persons who has contributed to the Group, including key management personnel, in recognition of their long-term services and/or contributions to the Group. Meanwhile, any termination of employment contract would be based on reasonable and lawful grounds. The Group strictly prohibits any kind of unfair or unreasonable dismissals.

The Group determines reasonable working hours and leaves for the employees. In addition to statutory holidays stipulated by the Hong Kong government such as paid annual leave, sick leave and maternity leave, employees may also be entitled to additional leave entitlements such as marriage leave, birthday leave, causal leave, compassionate leave and study leave.

As an equal opportunity employer, the Group is committed to create a fair, respectful and diverse working environment by promoting anti-discrimination and equal opportunity in all its human resources and employment decisions. For instance, training and promotion opportunities and dismissals policies are based on the factors irrespective of the employees' age, sex, marital status, pregnancy, disability, race, national or ethnic origins, nationality, religion or any other non-job related factors in all business units of the Group. The equal opportunities policy enforces zero tolerance to any workplace discrimination, harassment or victimisation in accordance with local ordinances and regulations in Hong Kong.

To cultivate employees' sense of belonging, the Group offers additional employee benefits in different areas such as providing medical welfare program to its employees and their immediate family members, study allowance, continuing training courses, birthday presents and free flu vaccine injection. In addition, the Group has hosted a series of recreational activities for its employees in FY2018 such as preserved flowers workshop, leather workshop, surprise day, family day trip, Christmas party, festival foods and gifts and New Year's feast. These events have helped the employees to relieve stress, and served to strengthen the Group's corporate culture of the spirit of solidarity and cohesion among its employees.

In terms of internal coaching and communication, effective two-way communication between the general staff and management is highly encouraged. The employees maintain timely and smooth communication with each other and management through intranet, emails, notice boards and tea gatherings. Besides, the Group also publishes internal newsletter quarterly, called "Letter to Human Health" (「盈健家書」), which reports the latest news and events of the Group for internal circulation. Barrier-free employer-employee relationship can create a productive and pleasant working environment.

B2 Health and Safety

To provide and maintain a good working condition and a safe and healthy working environment, safety and health policies of the Group are in line with relevant laws and regulations in Hong Kong. All clinical procedures are carried out according to the procedural guidelines and related regulations for occupational safety and health regulation.

In order to enhance its employees' health awareness and work safety, the Group has formulated the related policies, such as:

- Provide guidelines on handling injuries in case of occurrence and the reporting channel;
- Maintain a good and correct posture and an appropriate eye levels with the computer screen;
- Keep the passages and working environment clean and tidy;
- Arrange the cleaning of air-conditioning systems and disinfection treatment of carpets regularly;
- Organise occupational health seminars to enhance its employees' health awareness; and
- Set up first aid kits and fire extinguishers in the working places.

The Group has also applied a range of safety measures at the medical centre level, such as proper handling of clinical and domestic wastes, routine disinfection of working place and medical equipment, management of injury-on-duty cases, fire safety guideline and infection control policy during the activation of the Alert Response Level under the Hong Kong government's "Preparedness and Response Plan", etc. Meanwhile, the Group adopts "Care for the Carer" approach that a surveillance monitoring of frontline's health is imposed if he/she has exposed to suspected infectious cases at the medical centre. Those policies enhance the Group to maintain a clean, tidy, smoke-free, non-toxic, non-hazardous, healthy and safe working environment.

During FY2018, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to providing a safe working environment and protecting employees from occupational hazards.

B3 Development and Training

The Group maintains service quality by placing great importance on encouraging its staff to attend internal and external training programmes. For example, the Group provides a half-year training course to the probationary staff in the medical centres, which includes the daily operation of the medical centre and customer service skills. Regular and periodic assessment tests will be conducted in order to keep check the learning progress of respective staff that aims to ensure and upkeep its professionalism in the market.

In addition, the Group invites speakers and training organisations to provide training courses to staff at different levels regularly. Furthermore, the Group also provides study leaves and allowances to encourage employees to enrol external training courses. According to the annual training plan, the Group assesses and monitors the execution of its training programmes in order to provide applicable training courses to employees at different levels.

B4 Labour Standards

The Group strictly abides the relevant labour laws and regulations in Hong Kong to prohibit any child and forced labour employment. To combat against illegal employment on child labour and forced labour, prior to confirmation of employment, the Group's human resources and administration department requires job applicants to provide valid identity documents to ensure that the applicants are lawfully employable and sign the employment contract with the employees in a complete free and safe environment to ensure that it is voluntary. The human resources and administration department of the Group is responsible to monitor and ensure compliance with the latest and relevant laws and regulations that prohibit child labour and forced labour.

During FY2018, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to preventing child and forced labour.

Operating Practices

B5 Supply Chain Management

As a responsible enterprise, the Group is dedicated to maintain a sustainable supply chain which makes minimal negative impacts on the environment and society. The suppliers of the Group including general practitioner, specialist, dentist, clinical psychologist, pharmaceutical products distributor and manufacturer as well as laboratory and imaging centre.

The Group engage new general practitioner, specialist, dentist and clinical psychologist based on their qualifications, experience, reputation, specialised area of study or practice, level of dedication, previous compliance records and whether they will fit into the corporate culture of the Group. All of them join the Group via entering independent contracts with the Group. They must comply with local ordinances, laws and regulations including but not limited to the Code of Professional Conduct for the Guidance of Registered Medical Practitioners issued by the Medical Council of Hong Kong and the Code of Professional Discipline for the Guidance of Dental Practitioners in Hong Kong issued by the Dental Council of Hong Kong.

The Group has established a doctor advisory board to provide trainings such as medical centre operation, patient handling and management of difficult issues and safety to incoming practitioners. The Group also provides on-the-job trainings, site visits and experience sharing for their first six months of service. Each of their performance is monitored by the doctor management team through regular meetings, clinical practice and feedbacks received from patients. Furthermore, to maintain better relationship, the Group respects every practitioners in their professional practice and is responsive to their inquiries, and provide appropriate support when necessary.

In addition, the Group ensures that all the practitioners within the Group are properly registered as medical/dental practitioners or obtain other valid practising certificates under Medical Registration Ordinance, Dentists Registration Ordinance or all other applicable laws and regulations to ensure the competence of their professional as service providers in Hong Kong.

For pharmaceutical suppliers, the Group has internal purchasing management and approval policies. The main criteria of selection on pharmaceutical suppliers should be registered with Department of Health in Hong Kong ("**DOH**") and controlled by related law and regulations in Hong Kong. Other factors are also considered, such as past history of suppliers' quality, quantity, timing of delivery and source of the products, price and supplier's reputation in the industry. The Group maintains regular meeting with suppliers regarding the inventory level and monitors the news from DOH on regular basis.

As part of procurement policy, the Group will place purchase orders with the pharmaceutical products suppliers. Purchasing department of the Group ensures that the pharmaceutical products which the Group ordered are registered pharmaceutical products recognised by the Drug Office of Hong Kong.

For the selection of laboratories and imaging centres, the Group values the quality and efficiency of the services. Therefore, location, scope of service, quality, price and feedback of the professional team are the priorities in choosing a qualified laboratories and imaging centre.

B6 Product Responsibility

As a leading private integrated healthcare service provider in Hong Kong, the Group's business activities comply with the relevant rules and regulations to maintain the proper conduct in the markets. During FY2018, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to health and safety, advertising, labelling and privacy matters.

To maintain service quality, the Group has formulated the operating manual, nursing handbook and internal guidelines for the medical centres. These cover various aspects of the operations from registration, consultation procedures, clinical practices to centre management. Apart from these manuals and handbooks, the operations team organises regular meetings with frontline staff at supervisor levels. Meeting topics include sharing of administrative practices, case studies, clinical learning and personal development subjects. Periodic audits on clinical services and review of operating guidelines are performed by respective functional managers.

To comply with the local laws and regulations, the Group has internal guidelines to ensure that the prescriptions are accurate and dispensed according to the 3-check-7-rights rule. The prescribed medications of the Group are all packed in separate bags with corresponding drug labels with relevant patient and drug information for identification.

To enhance customers' satisfaction and loyalty, the Group sets up a customer service hotline and a complaint handling mechanism whereby any enquiries and complaints are recorded and then handled by both the customer service team and the operations team. This mechanism enables the Group to timely manage each feedback/complaint so that to address imminent service needs and improvement issues accordingly. Complaints may be escalated to the legal and compliance department as and when required to ascertain customers' expectation.

The Group has formulated internal policy for product reporting and recall to define situations under which the need of reporting should be considered and list out detailed measures to be taken. This ensures that the Group has an effective procedure to handle product recall by the DOH or the pharmaceutical products manufacturers. The procedure applies to all pharmaceutical products used by the medical centres of the Group.

The Group is committed in abiding by the Personal Data (Privacy) Ordinance in Hong Kong (Chapter 486 of the Laws of Hong Kong) ("**Personal Data (Privacy) Ordinance**") to ensure particularly the patients' rights are strictly protected. The Group has published Personal Information Collection Statement at each medical centre which acknowledges the patients that all the collected personal data will be treated in the strictest confidence and for designated purposes. All newly joined and existing frontline staff will be informed and reminded of the importance of Personal Data (Privacy) Ordinance in the meetings, case sharing and training classes regularly. Meanwhile, all staff including office staff, whoever will handle patient's data or medical record, must comply with the guideline of handling personal data. Only authorised personnel could access to restricted information with permission. The Group prohibits the provision of patient information to a third party without authorisation from the patients. The detailed privacy policy can be accessed at the Group's websites.

B7 Anti-corruption

To maintain a fair, ethical and efficient business and working environment, the Group strictly adheres to the laws and regulations relating to anti-corruption and bribery in Hong Kong. During FY2018, the Group is not aware of any material noncompliance with the relevant laws and regulations that have a significant impact on the Group in relation to bribery, extortion, fraud and money laundering. The Group has formulated staff handbooks and conflict of interest policy for the employees. Detailed policies on prevention of its employees to receive or offer benefits in any forms to any person or institutions which may damage the Group's interest or/and reputation are stated in those internal manuals. Faced with the attractive offerings (such as cash, gifts and other items of the equivalent value) and situations, the employees should approach the human resource and administration department or the management of the Group for directions. Moreover, employees should disclose conflict of interest to the human resource and administration department for assessment.

The Group has also formulated the internal whistle-blowing policy. This policy is designed to enable the employees to report the information or practices which the employee recognises malpractice or impropriety (the "**Whistleblower**"). This policy is intended to cover concerns (such as financial malpractice or impropriety or fraud; failure to comply with a legal obligation or statutes; dangers to health and safety or the environment; criminal activity; improper conduct or unethical behavior; professional malpractice and negligence and attempts to conceal any of these) which are in the public interest and may take disciplinary actions. This policy is well designed to offer protection to the Whistleblowers and to guide the procedures for proper report and investigation.

Community

B8 Community Investment

Being a responsible health service provider, the Group has dedicated to provide ethical and efficient medical services and work closely with the non-governmental organisations, by providing health programs such as health talk and health assessment, to deliver professional health information to the community, raise health awareness and promote healthy lifestyle to the public.

In FY2018, the Group has participated health education programmes with Hong Kong Lutheran Social Service, RHEMA Social Services and Hong Kong Employment Development Service Limited. The Group has also sponsored different social activities and organisations, such as the Walk for Millions, CPCE Health Conference and Outstanding Industrial Attachment Scholarship of Vocational Training Council.

Furthermore, the Group is dedicated to work with different educational institutions such as participating career talks and "HKCT Life Planning Services" by Hong Kong College of Technology ("**HKCT**") since 2015 and being a member of "Employers Consultative Committee" of HKCT since 2015. Those activities aim to provide vacancies and sharing on trend and needs in the employment market to new graduates and youngsters. The Group has supported charity by placing the donation boxes of Medecins Sans Frontieres Hong Kong and Orbis Hong Kong at medical centres.

The Group has obtained various awards in recognition of its continuous contribution to the community and as a leading healthcare services provider in Hong Kong. Some of them are listed as follows:

- "Caring Company"(商界展關懷)by The Hong Kong Council of Social Service(香港社會服務聯會)for the ninth consecutive terms since 2009/2010;
- "Happy Company"(開心工作間)by Promoting Happiness Index Foundation(香港提升快樂指數基金)and the Hong Kong Productivity Council(香港生產力促進局)for the sixth consecutive years since 2013;
- "Hong Kong Corporate Citizenship Award – Corporate Citizenship Logo"(香港企業公民嘉許計劃—企業公民嘉許標誌)by Hong Kong Productivity Council(香港生產力促進局)for the fourth consecutive years since 2015;
- "Caring Services Merit Award"(貼心服務之選優異獎)of MTR Shops Voting Campaign(投選至愛MTR Shops) by MTR Corporation Limited(香港鐵路有限公司)in 2016 and 2017;
- "HKIM Market Leadership Award"(市場領袖大獎)by Hong Kong Institute of Marketing(香港市務學會)for the third consecutive years since 2015, and the "Triple Crown Winner" in 2017;
- "Metro Awards for Brand Excellence 2017"(都市卓越品牌大獎)by Metro Daily(都市日報)and Metro Prosperity(都市盛世)in 2017;
- "ERB Manpower Developer Award Scheme – Manpower Developer" (ERB人才企業嘉許計劃—人才企業)by the Employees Retraining Board(僱員再培訓局)for the second consecutive terms since 2014-2016;
- "Manpower Development Scheme – ERB Merit Award for Employers"(人才發展計劃—ERB優異僱主獎)by the Employees Retraining Board(僱員再培訓局)for the fourth consecutive years since 2015;
- "Social Capital Builder Awards 2016-2018"(社會資本動力獎2016-2018)by the Community Investment and Inclusion Fund of the Labour and Welfare Bureau(勞工及福利局社區投資共享基金)in 2016;
- "Best Employers Award Scheme"(青雲有志優質企業)by Job Market Publishing Limited(求職廣場出版有限公司)in 2016 and 2017;
- "Partner Employer Award"(友商有良)by the Hong Kong General Chamber of Small and Medium Business(香港中小型企業總商會)in 2017 and 2018; and
- "Sport-Friendly Action Award"(運動友善計劃)by Chinese YMCA of Hong Kong(香港中華基督教青年會)in 2017-2018.

Those awards reaffirm the long-term efforts to embracing environmental and social responsibility in the communities in which the Group operates. The Group will continue to contribute to the development of the communities in which it serves and to deliver its vision of "Elevate Your Health Value, Elevate Your Life"(昇華健康價值,共創豐盛人生)to the general public.

Ernst & Young
22/F, CITIC Tower
1 Tim Mei Avenue
Central, Hong Kong

Tel: +852 2846 9888
Fax:+852 2868 4432
www.ey.com

To the shareholders of Human Health Holdings Limited
(Incorporated in the Cayman Islands with limited liability)

OPINION

We have audited the consolidated financial statements of Human Health Holdings Limited (the "Company") and its subsidiaries (the "Group") set out on pages 80 to 145, which comprise the consolidated statement of financial position as at 30 June 2018, and the consolidated statement of profit or loss and other comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 30 June 2018, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report. We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

KEY AUDIT MATTERS *(continued)*

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the consolidated financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

Key audit matter	How our audit addressed the key audit matter
Impairment of trade receivables	
As at 30 June 2018, the Group recorded gross trade receivables of HK$31,936,000. Management performs an impairment assessment for trade receivables on a regular basis, which requires the use of significant estimates and judgement based on credit history and prevailing market conditions. Relevant disclosures about significant accounting judgements and estimates and the balance of trade receivables are included in notes 3 and 18 to the consolidated financial statements.	We assessed and tested the Group's processes relating to the monitoring of trade receivables, and evaluated the inputs and assumptions used by management in their impairment assessment by testing the trade receivables ageing analysis as of the end of the reporting period on a sampling basis, reviewing the payment history of debtors, subsequent settlement of the receivables and other relevant information.
Impairment of goodwill	
As at 30 June 2018, the Group had recognised goodwill of HK$31,964,000 relating to the acquisition of several subsidiaries through business combinations. Assessment on the impairment of goodwill requires significant management's estimation of the value in use of the cash-generating units to which the goodwill allocated. Estimating the value in use requires the management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate. Relevant disclosures about significant accounting judgements and estimates and impairment testing of goodwill are included in notes 3 and 13 to the financial statements.	Our audit procedures included, inter alia, evaluating the group's policies and procedures and assessing the valuation methodology used by management to estimate value in use of the cash-generating units to which goodwill is allocated. We also evaluated the process by which management's future cash flow forecasts were prepared. In addition, we performed a sensitivity analysis and assessed the budgeted gross margins, the growth rate and expenditure assumptions with reference to the Group's historical pattern. We have also involved our internal expert to assist us in evaluating the assumptions and methodologies, including the discount rate, used in the estimation of value in use of the related cash-generating units. Furthermore, we evaluated the adequacy of disclosures on the impairment assessment.

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors of the Company are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Group or to cease operations or have no realistic alternative but to do so.

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS *(continued)*

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Audit Committee regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Audit Committee with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Audit Committee, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

The engagement partner on the audit resulting in this independent auditor's report is Chan Sai Yu.

Ernst & Young
Certified Public Accountants
Hong Kong

26 September 2018

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
REVENUE	5	**518,020**	481,147
Cost of services rendered		**(274,446)**	(254,987)
Gross profit		**243,574**	226,160
Other income and gains	5	**755**	892
Administrative expenses		**(205,307)**	(202,068)
Share of losses of a joint venture		**(7,236)**	(4,887)
PROFIT BEFORE TAX	6	**31,786**	20,097
Income tax expense	9	**(8,621)**	(7,506)
PROFIT FOR THE YEAR		**23,165**	12,591
OTHER COMPREHENSIVE INCOME/(LOSS)			
Other comprehensive income/(loss) to be reclassified to profit or loss in subsequent periods:			
Exchange differences on translation of foreign operations		**1,169**	(442)
OTHER COMPREHENSIVE INCOME/(LOSS) FOR THE YEAR		**1,169**	(442)
TOTAL COMPREHENSIVE INCOME FOR THE YEAR		**24,334**	12,149
Profit/(loss) attributable to:			
Owners of the Company		**24,111**	13,469
Non-controlling interests		**(946)**	(878)
		23,165	12,591
Total comprehensive income/(loss) attributable to:			
Owners of the Company		**25,280**	13,027
Non-controlling interests		**(946)**	(878)
		24,334	12,149
EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY	11		
Basic and diluted		**HK6.7 cents**	HK3.7 cents

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS			
Property, plant and equipment	12	**17,635**	15,841
Goodwill	13	**31,964**	31,964
Other intangible assets	14	**11,824**	13,435
Investment in a joint venture	15	**7,248**	13,669
Available-for-sale investment	16	**3,500**	–
Deposits	19	**27,495**	15,912
Deferred tax assets	24	**1,385**	1,671
Total non-current assets		**101,051**	92,492
CURRENT ASSETS			
Inventories	17	**7,493**	7,604
Trade receivables	18	**31,936**	31,451
Prepayments, deposits and other receivables	19	**11,810**	11,819
Due from a related party	31(b)	**26**	29
Tax recoverable		**1,304**	3,937
Pledged deposits	20	**2,039**	2,039
Cash and cash equivalents	20	**187,747**	170,806
Total current assets		**242,355**	227,685
CURRENT LIABILITIES			
Trade payables	21	**25,441**	23,663
Other payables and accruals	22	**32,162**	29,008
Tax payable		**5,043**	5,954
Total current liabilities		**62,646**	58,625
NET CURRENT ASSETS		**179,709**	169,060
TOTAL ASSETS LESS CURRENT LIABILITIES		**280,760**	261,552
NON-CURRENT LIABILITIES			
Other long term payables	22	**4,375**	2,450
Deferred tax liabilities	24	**2,145**	2,561
Total non-current liabilities		**6,520**	5,011
Net assets		**274,240**	256,541

Consolidated Statement of Financial Position

As at 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
EQUITY			
Equity attributable to owners of the Company			
Share capital	25	**3,615**	3,615
Reserves	27	**269,965**	251,320
		273,580	254,935
Non-controlling interests		**660**	1,606
Total equity		**274,240**	256,541

Mr. Chan Kin Ping
Director

Dr. Pang Lai Sheung
Director

Consolidated Statement of Changes In Equity

Year ended 30 June 2018

		Attributable to owners of the Company								
		Share capital	Share premium*	Other reserve*	Exchange reserve*	Share option reserve*	Retained profits*	Subtotal	Non-controlling interests	Total equity
	Notes	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*	*HK$'000*
At 1 July 2016		3,615	164,951	(15,029)	(763)	–	61,928	214,702	–	214,702
Profit for the year		–	–	–	–	–	13,469	13,469	(878)	12,591
Other comprehensive loss for the year:										
Exchange differences on translation of foreign operations		–	–	–	(442)	–	–	(442)	–	(442)
Total comprehensive income for the year		–	–	–	(442)	–	13,469	13,027	(878)	12,149
Adjusted for common control combination	2.1	–	–	37,620	–	–	–	37,620	–	37,620
Contribution from non-controlling shareholders		–	–	–	–	–	–	–	2,484	2,484
Final 2016 dividend declared		–	–	–	–	–	(10,845)	(10,845)	–	(10,845)
Equity-settled share option arrangements	26	–	–	–	–	431	–	431	–	431
At 30 June 2017 and 1 July 2017		**3,615**	**164,951**	**22,591**	**(1,205)**	**431**	**64,552**	**254,935**	**1,606**	**256,541**
Profit for the year		**–**	**–**	**–**	**–**	**–**	**24,111**	**24,111**	**(946)**	**23,165**
Other comprehensive income for the year:										
Exchange differences on translation of foreign operations		**–**	**–**	**–**	**1,169**	**–**	**–**	**1,169**	**–**	**1,169**
Total comprehensive income for the year		**–**	**–**	**–**	**1,169**	**–**	**24,111**	**25,280**	**(946)**	**24,334**
Final 2017 dividend declared	10	**–**	**–**	**–**	**–**	**–**	**(7,230)**	**(7,230)**	**–**	**(7,230)**
Equity-settled share option arrangements	26	**–**	**–**	**–**	**–**	**595**	**–**	**595**	**–**	**595**
At 30 June 2018		**3,615**	**164,951**	**22,591**	**(36)**	**1,026**	**81,433**	**273,580**	**660**	**274,240**

* These reserve accounts comprise the consolidated reserves of HK$269,965,000 (2017: HK$251,320,000) in the consolidated statement of financial position.

Consolidated Statement of Cash Flows

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before tax		**31,786**	20,097
Adjustments for:			
Depreciation	6	**8,687**	7,676
Amortisation of other intangible assets	6	**1,611**	1,612
(Reversal of write-down)/write-down of inventories to net realisable value	6	**(275)**	47
Share option expenses		**595**	431
Share of losses of a joint venture		**7,236**	4,887
Loss/(gain) on disposal of items of property, plant and equipment	6	**127**	(224)
Underprovision/(overprovision) for reinstatement costs	23	**295**	(187)
Bank interest income	5	**(367)**	(437)
		49,695	33,902
(Increase)/decrease in inventories		**386**	(661)
(Increase)/decrease in trade receivables		**(485)**	1,561
Increase in prepayments, deposits and other receivables		**(788)**	(2,813)
Movement in the balance with a related party		**3**	(7)
Decrease in an amount due from a joint venture		**–**	314
Increase/(decrease) in trade payables		**1,778**	(3,546)
Increase in other payables and accruals	28	**3,540**	8,123
Cash generated from operations		**54,129**	36,873
Interest received		**367**	437
Hong Kong profits tax paid/refunded, net		**(7,029)**	(14,992)
Net cash flows from operating activities		**47,467**	22,318

Consolidated Statement of Cash Flows

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of items of property, plant and equipment		**41**	259
Acquisition of available-for-sale investment		**(3,500)**	–
Acquisition of subsidiaries under common control		**–**	(2,800)
Purchase of items of property, plant and equipment	12,28	**(8,800)**	(12,714)
Settlement of provision	23	**(604)**	(61)
Increase in deposit for property, plant and equipment		**(486)**	–
Increase in deposit for convertible bond		**(10,300)**	–
(Increase)/decrease in time deposits with maturity of more than three months when acquired		**(19,725)**	26,389
Net cash flows (used in)/from investing activities		**(43,374)**	11,073
CASH FLOWS FROM FINANCING ACTIVITIES			
Contribution from non-controlling shareholders		**–**	2,484
Increase in a shareholder loan		**–**	2,046
Dividend paid		**(7,230)**	(10,845)
Net cash flows used in financing activities		**(7,230)**	(6,315)
NET (DECREASE)/INCREASE IN CASH AND CASH EQUIVALENTS		**(3,137)**	27,076
Cash and cash equivalents at beginning of year		**168,230**	141,266
Effect of foreign exchange rate changes, net		**353**	(112)
CASH AND CASH EQUIVALENTS AT END OF YEAR		**165,446**	168,230

Consolidated Statement of Cash Flows

Year ended 30 June 2018

	Notes	2018 HK$'000	2017 HK$'000
ANALYSIS OF BALANCES OF CASH AND CASH EQUIVALENTS			
Cash and bank balances	20	**143,407**	147,057
Non-pledged time deposits	20	**44,340**	23,749
Cash and cash equivalents as stated in the consolidated statement of financial position		**187,747**	170,806
Pledged time deposits with maturity less than three months when acquired		**2,039**	1,034
Non-pledged time deposits with maturity more than three months when acquired		**(24,340)**	(3,610)
Cash and cash equivalents as stated in the consolidated statement of cash flows		**165,446**	168,230

1. CORPORATE AND GROUP INFORMATION

Human Health Holdings Limited is a limited liability company incorporated in the Cayman Islands. The registered address of the Company is Cricket Square, Hutchins Drive, P.O. Box 2681, Grand Cayman, KY1-1111, Cayman Islands. The principal place of business of the Company is located at 11th Floor, TAL Building, 45-53 Austin Road, Tsim Sha Tsui, Kowloon, Hong Kong.

The Company is an investment holding company. During the year, the Group is principally engaged in the provision of comprehensive, one-stop and quality healthcare services.

In the opinion of the Directors, the holding company and the ultimate holding company of the Company is Treasure Group Global Limited, a company incorporated in the British Virgin Islands.

Information about subsidiaries

Particulars of the Company's principal subsidiaries are as follows:

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company		Principal activities
			Direct	Indirect	
Actmax Limited	Hong Kong	HK$2	–	100	Provision of general practice services
Be Health Specialist Limited	Hong Kong	HK$5,000,100	–	100	Provision of specialties services
Good Standard Limited	Hong Kong	HK$10,000	–	100	Provision of dental services
Healthvision (Asia) Limited	Hong Kong	HK$1	–	100	Marketing management
Human Health Associate Limited	Hong Kong	HK$2	–	100	Provision of general practice services
Human Health (H.K.) Limited	Hong Kong	HK$2	–	100	Head office management
Human Health Medical Services Limited	Hong Kong	HK$2	–	100	Management of cooperation agreements with doctors and dentists
Impact Medical Imaging Centre Company Limited	Hong Kong	HK$7,500,000	–	100	Provision of medical imaging services
Keen Will Aesthetics Limited	Hong Kong	HK$2	–	82	Provision of medical aesthetic services
Laserdontics Limited	Hong Kong	HK$1	–	100	Provision of dental services

1. CORPORATE AND GROUP INFORMATION *(continued)*

Information about subsidiaries *(continued)*

Company name	Place of incorporation/ registration and business	Issued ordinary share capital/ paid-up registered capital	Percentage of equity attributable to the Company Direct	Indirect	Principal activities
Perfect Life Asia Limited	Hong Kong	HK$1,800	–	100	Provision of general practice services
Poly Dental Services Limited	Hong Kong	HK$100	–	100	Provision of dental services
Seto & Wan Dental Centre Limited	Hong Kong	HK$2	–	100	Provision of dental services
We Health Medical Diagnostic Limited	Hong Kong	HK$1	–	100	Provision of medical diagnostic services
盈健企業管理咨詢（上海）有限公司(“**Yingjian Qiye**”)#	People’s Republic of China (“**PRC**”)/ Mainland China	Registered capital of HK$22,500,000	–	100	Investment holding

Wholly-foreign-owned enterprise under PRC Law.

The above table lists the subsidiaries of the company which, in the opinion of the directors, principally affected the results for the year or formed a substantial portion of the net assets of the Group. To give details of other subsidiaries would, in the opinion of the directors, result in particulars of excessive length.

2.1 COMMON CONTROL COMBINATIONS

On 1 February 2017, the Group acquired 90% and 10% equity interest in We Health International Limited and its subsidiaries (“**We Health Group**”) from Mr. Chan Kin Ping and Great Praise Limited, a company beneficially owned by Dr. Pang Lai Sheung, respectively, with an aggregate consideration of HK$2.8 million. On the same day, the loan from a shareholder, Mr. Chan Kin Ping, of approximately HK$40.4 million to We Health International Limited was waived by Mr. Chan Kin Ping.

The Group and We Health Group were under the common control of Mr. Chan Kin Ping and Dr. Pang Lai Sheung (the “**Controlling Shareholders**”) before and after the common control combinations. To consistently apply the Group’s accounting policy for common control combinations, the acquisition of We Health Group had been accounted for based on the principles of merger accounting as if the acquisition had occurred on the date when the combining entities first came under the common control of the Controlling Shareholders. Accordingly, the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the year ended 30 June 2017 include the results and cash flows of We Health Group from the earliest date presented or since the date when the subsidiaries and/or businesses first came under the common control of the Controlling Shareholders, where this is a shorter period.

2.2 BASIS OF PREPARATION

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards ("**HKFRSs**") (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards ("**HKASs**") and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants ("**HKICPA**"), accounting principles generally accepted in Hong Kong and the disclosure requirements of the Hong Kong Companies Ordinance. They have been prepared under the historical cost convention, except for an available-for-sale investment which has been measured at fair value. These financial statements are presented in Hong Kong dollars ("**HK$**") and all values are rounded to the nearest thousand except when otherwise indicated.

Basis of consolidation

The consolidated financial statements include the financial statements of the Company and its subsidiaries (collectively referred to as the "**Group**") for the year ended 30 June 2018. A subsidiary is an entity (including a structured entity), directly or indirectly, controlled by the Company. Control is achieved when the Group is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee (i.e., existing rights that give the Group the current ability to direct the relevant activities of the investee).

When the Company has, directly or indirectly, less than a majority of the voting or similar rights of an investee, the Group considers all relevant facts and circumstances in assessing whether it has power over an investee, including:

(a) the contractual arrangement with the other vote holders of the investee;

(b) rights arising from other contractual arrangements; and

(c) the Group's voting rights and potential voting rights.

The financial statements of the subsidiaries are prepared for the same reporting period as the Company, using consistent accounting policies. The results of subsidiaries are consolidated from the date on which the Group obtains control, and continue to be consolidated until the date that such control ceases.

2.2 BASIS OF PREPARATION *(continued)*

Basis of consolidation *(continued)*

Profit or loss and each component of other comprehensive income are attributed to the owners of the parent of the Group and to the non-controlling interests, even if this results in the non-controlling interests having a deficit balance. All intra-group assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control described above. A change in the ownership interest of a subsidiary, without a loss of control, is accounted for as an equity transaction.

If the Group loses control over a subsidiary, it derecognises (i) the assets (including goodwill) and liabilities of the subsidiary, (ii) the carrying amount of any non-controlling interest and (iii) the cumulative translation differences recorded in equity; and recognises (i) the fair value of the consideration received, (ii) the fair value of any investment retained and (iii) any resulting surplus or deficit in profit or loss. The Group's share of components previously recognised in other comprehensive income is reclassified to profit or loss or retained profits, as appropriate, on the same basis as would be required if the Group had directly disposed of the related assets or liabilities.

2.3 CHANGES IN ACCOUNTING POLICIES AND DISCLOSURES

The Group adopted the following revised standards for the first time for the current year's financial statements:

Amendments to HKAS 7	*Disclosure Initiative*
Amendments to HKAS 12	*Recognition of Deferred Tax Assets for Unrealised Losses*
Amendments to HKFRS 12 included in *Annual Improvements to HKFRSs 2014-2016 Cycle*	*Disclosure of Interests in Other Entities: Clarification of the Scope of HKFRS 12*

The adoption of the above revised standards has had no significant financial impact on these financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

Amendments to HKFRS 2	*Classification and Measurement of Share-based Payment Transactions*[1]
Amendments to HKFRS 4	*Applying HKFRS 9 Financial Instruments with HKFRS 4 Insurance Contracts*[1]
HKFRS 9	*Financial Instruments*[1]
Amendments to HKFRS 9	*Prepayment Features with Negative Compensation*[2]
Amendments to HKFRS 10 and HKAS 28 (2011)	*Sale or Contribution of Assets between an Investor and its Associate or Joint Venture*[4]
HKFRS 15	*Revenue from Contracts with Customers*[1]
Amendments to HKFRS 15	*Clarifications to HKFRS 15 Revenue from Contracts with Customers*[1]
HKFRS 16	*Leases*[2]
HKFRS 17	*Insurance Contracts*[3]
Amendments to HKAS 19	*Plan Amendments, Curtailment or Settlement*[2]
Amendments to HKAS 28	*Long-term Interests in Associates and Joint Ventures*[2]
Amendments to HKAS 40	*Transfers of Investment Property*[1]
HK(IFRIC)-Int 22	*Foreign Currency Transactions and Advance Consideration*[1]
HK(IFRIC)-Int 23	*Uncertainty over Income Tax Treatments*[2]
Annual Improvements 2014-2016 Cycle	*Amendments to HKFRS 1 and HKAS 28*[1]
Annual Improvements 2015-2017 Cycle	*Amendments to HKFRS 3, HKFRS 11, HKAS 12 and HKAS 23*[2]

[1] Effective for annual periods beginning on or after 1 January 2018
[2] Effective for annual periods beginning on or after 1 January 2019
[3] Effective for annual periods beginning on or after 1 January 2021
[4] No mandatory effective date yet determined but available for adoption

Further information about those HKFRSs that are expected to be applicable to the Group is described below. The actual impacts upon adoption could be different to those below, depending on additional reasonable and supportable information being made available to the Group at the time of applying the standards.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

The HKICPA issued amendments to HKFRS 2 in August 2016 that address three main areas: the effects of vesting conditions on the measurement of a cash-settled share-based payment transaction; the classification of a share-based payment transaction with net settlement features for withholding a certain amount in order to meet an employee's tax obligation associated with the share-based payment; and accounting where a modification to the terms and conditions of a share-based payment transaction changes its classification from cash-settled to equity-settled. The amendments clarify that the approach used to account for vesting conditions when measuring equity-settled share-based payments also applies to cash-settled share-based payments. The amendments introduce an exception so that a share-based payment transaction with net share settlement features for withholding a certain amount in order to meet the employee's tax obligation is classified in its entirety as an equity-settled share-based payment transaction when certain conditions are met. Furthermore, the amendments clarify that if the terms and conditions of a cash-settled share-based payment transaction are modified, with the result that it becomes an equity-settled share-based payment transaction, the transaction is accounted for as an equity-settled transaction from the date of the modification. On adoption, entities are required to apply the amendments without restating prior periods, but retrospective application is permitted if they elect to adopt for all three amendments and other criteria are met. The Group will adopt the amendments from 1 July 2018. The amendments are not expected to have any significant impact on the Group's financial statements.

In September 2014, the HKICPA issued the final version of HKFRS 9, bringing together all phases of the financial instruments project to replace HKAS 39 and all previous versions of HKFRS 9. The standard introduces new requirements for classification and measurement, impairment and hedge accounting. The Group will adopt HKFRS 9 from 1 July 2018. The Group will not restate comparative information and will recognise any transition adjustments against the opening balance of equity at 1 July 2018. During 2018, the Group has performed a detailed assessment of the impact of the adoption of HKFRS 9. The expected impacts relate to the classification and measurement and the impairment requirements and are summarised as follows:

(a) Classification and measurement

The Group does not expect that the adoption of HKFRS 9 will have a significant impact on the classification and measurement of its financial assets. It expects to continue measuring at fair value all financial assets currently held at fair value. Equity investments currently held as available for sale will be measured at fair value through other comprehensive income as the investments are intended to be held for the foreseeable future and the Group expects to apply the option to present fair value changes in other comprehensive income. Gains and losses recorded in other comprehensive income for the equity investments cannot be recycled to profit or loss when the investments are derecognised.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

(b) Impairment

HKFRS 9 requires an impairment on debt instruments recorded at amortised cost or at fair value through other comprehensive income, lease receivables, loan commitments and financial guarantee contracts that are not accounted for at fair value through profit or loss under HKFRS 9, to be recorded based on an expected credit loss model either on a twelve-month basis or a lifetime basis. The Group will apply the simplified approach and record lifetime expected losses that are estimated based on the present values of all cash shortfalls over the remaining life of all of its trade receivables. Furthermore, the Group will apply the general approach and record twelve-month expected credit losses that are estimated based on the possible default events on its other receivables within the next twelve months.

Amendments to HKFRS 10 and HKAS 28 (2011) address an inconsistency between the requirements in HKFRS 10 and in HKAS 28 (2011) in dealing with the sale or contribution of assets between an investor and its associate or joint venture. The amendments require a full recognition of a gain or loss when the sale or contribution of assets between an investor and its associate or joint venture constitutes a business. For a transaction involving assets that do not constitute a business, a gain or loss resulting from the transaction is recognised in the investor's profit or loss only to the extent of the unrelated investor's interest in that associate or joint venture. The amendments are to be applied prospectively. The previous mandatory effective date of amendments to HKFRS 10 and HKAS 28 (2011) was removed by the HKICPA in January 2016 and a new mandatory effective date will be determined after the completion of a broader review of accounting for associates and joint ventures. However, the amendments are available for adoption now.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 15, issued in July 2014, establishes a new five-step model to account for revenue arising from contracts with customers. Under HKFRS 15, revenue is recognised at an amount that reflects the consideration to which an entity expects to be entitled in exchange for transferring goods or services to a customer. The principles in HKFRS 15 provide a more structured approach for measuring and recognising revenue. The standard also introduces extensive qualitative and quantitative disclosure requirements, including disaggregation of total revenue, information about performance obligations, changes in contract asset and liability account balances between periods and key judgements and estimates. The standard will supersede all current revenue recognition requirements under HKFRSs. Either a full retrospective application or a modified retrospective adoption is required on the initial application of the standard. In June 2016, the HKICPA issued amendments to HKFRS 15 to address the implementation issues on identifying performance obligations, application guidance on principal versus agent and licences of intellectual property, and transition. The amendments are also intended to help ensure a more consistent application when entities adopt HKFRS 15 and decrease the cost and complexity of applying the standard. The Group plans to adopt the transitional provisions in HKFRS 15 to recognise the cumulative effect of initial adoption as an adjustment to the opening balance of retained earnings at 1 July 2018. In addition, the Group plans to apply the new requirements only to contracts that are not completed before 1 July 2018. The Group expects that the transitional adjustment to be made on 1 July 2018 upon initial adoption of HKFRS 15 should not be material. During 2018, the Group has performed an assessment on the impact of the adoption of HKFRS 15 and the amendments are not expected to have any significant impact on the Group's financial statements.

2.4 ISSUED BUT NOT YET EFFECTIVE HONG KONG FINANCIAL REPORTING STANDARDS *(continued)*

HKFRS 16, issued in May 2016, replaces HKAS 17 *Leases*, HK(IFRIC)-Int 4 *Determining whether an Arrangement contains a Lease*, HK(SIC)-Int 15 *Operating Leases – Incentives* and HK(SIC)-Int 27 *Evaluating the Substance of Transactions Involving the Legal Form of a Lease*. The standard sets out the principles for the recognition, measurement, presentation and disclosure of leases and requires lessees to recognise assets and liabilities for most leases. The standard includes two elective recognition exemptions for lessees – leases of low-value assets and short-term leases. At the commencement date of a lease, a lessee will recognise a liability to make lease payments (i.e., the lease liability) and an asset representing the right to use the underlying asset during the lease term (i.e., the right-of-use asset). The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses unless the right-of-use asset meets the definition of investment property in HKAS 40, or relates to a class of property, plant and equipment to which the revaluation model is applied. The lease liability is subsequently increased to reflect the interest on the lease liability and reduced for the lease payments. Lessees will be required to separately recognise the interest expense on the lease liability and the depreciation expense on the right-of-use asset. Lessees will also be required to remeasure the lease liability upon the occurrence of certain events, such as change in the lease term and change in future lease payments resulting from a change in an index or rate used to determine those payments. Lessees will generally recognise the amount of the remeasurement of the lease liability as an adjustment to the right-of-use asset. Lessor accounting under HKFRS 16 is substantially unchanged from the accounting under HKAS 17. Lessors will continue to classify all leases using the same classification principle as in HKAS 17 and distinguish between operating leases and finance leases. HKFRS 16 requires lessees and lessors to make more extensive disclosures than under HKAS 17. Lessees can choose to apply the standard using either a full retrospective or a modified retrospective approach. The Group expects to adopt HKFRS 16 from 1 July 2019. The Group is currently assessing the impact of HKFRS 16 upon adoption and is considering whether it will choose to take advantage of the practical expedients available and which transition approach and reliefs will be adopted.

As disclosed in note 29 to the financial statements, at 30 June 2018, the Group had future minimum lease payments under non-cancellable operating leases in aggregate of approximately HK$99,215,000. Upon adoption of HKFRS 16, certain amounts included therein may need to be recognised as new right-of-use assets and lease liabilities. Further analysis, however, will be needed to determine the amount of new rights of use assets and lease liabilities to be recognised, including, but not limited to, any amounts relating to leases of low-value assets and short term leases, other practical expedients and reliefs chosen, and new leases entered into before the date of adoption.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Investment in a joint venture

A joint venture is a type of joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint venture. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control.

The Group's investment in a joint venture is stated in the consolidated statement of financial position at the Group's share of net assets under the equity method of accounting, less any impairment losses.

The Group's share of the post-acquisition results and other comprehensive income of the joint ventures is included in the consolidated statement of profit or loss and other comprehensive income. In addition, when there has been a change recognised directly in the equity of the joint venture, the Group recognises its share of any changes, when applicable, in the consolidated statement of changes in equity. Unrealised gains and losses resulting from transactions between the Group and its joint venture are eliminated to the extent of the Group's investment in a joint venture, except where unrealised losses provide evidence of an impairment of the assets transferred. Goodwill arising from the acquisition of a joint venture is included as part of the Group's investment in a joint venture.

If an investment in an associate becomes an investment in a joint venture or vice versa, the retained interest is not remeasured. Instead, the investment continues to be accounted for under the equity method. In all other cases, upon loss of significant influence over the associate or joint control over the joint venture, the Group measures and recognises any retained investment at its fair value. Any difference between the carrying amount of the associate or joint venture upon loss of significant influence or joint control and the fair value of the retained investment and proceeds from disposal is recognised in profit or loss.

When an investment in a joint venture is classified as held for sale, it is accounted for in accordance with HKFRS 5 Non-current Assets Held for Sale and Discontinued Operations.

Business combinations and goodwill

Business combinations are accounted for using the acquisition method. The consideration transferred is measured at the acquisition date fair value which is the sum of the acquisition date fair values of assets transferred by the Group, liabilities assumed by the Group to the former owners of acquiree and the equity interests issued by the Group in exchange for control of acquiree. For each business combination, the Group elects whether to measure the non-controlling interests in acquiree that are present ownership interests and entitle their holders to a proportionate share of net assets in the event of liquidation at fair value or at the proportionate share of acquiree's identifiable net assets. All other components of non-controlling interests are measured at fair value. Acquisition-related costs are expensed as incurred.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Business combinations and goodwill *(continued)*

When the Group acquires a business, it assesses the financial assets and liabilities assumed for appropriate classification and designation in accordance with the contractual terms, economic circumstances and pertinent conditions as at the acquisition date. This includes the separation of embedded derivatives in host contracts of acquiree.

If the business combination is achieved in stages, the previously held equity interest is remeasured at its acquisition date fair value and any resulting gain or loss is recognised in profit or loss.

Any contingent consideration to be transferred by the acquirer is recognised at fair value at the acquisition date. Contingent consideration classified as an asset or liability is measured at fair value with changes in fair value recognised in profit or loss. Contingent consideration that is classified as equity is not remeasured and subsequent settlement is accounted for within equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred, the amount recognised for non-controlling interests and any fair value of the Group's previously held equity interests in acquiree over the identifiable net assets acquired and liabilities assumed. If the sum of this consideration and other items is lower than the fair value of the net assets acquired, the difference is, after reassessment, recognised in profit or loss as a gain on bargain purchase.

After initial recognition, goodwill is measured at cost less any accumulated impairment losses. Goodwill is tested for impairment annually or more frequently if events or changes in circumstances indicate that the carrying value may be impaired. The Group performs its annual impairment test of goodwill as at 30 June. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Group's cash-generating units, or groups of cash-generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Group are assigned to those units or groups of units.

Impairment is determined by assessing the recoverable amount of the cash-generating unit (group of cash-generating units) to which the goodwill relates. Where the recoverable amount of the cash-generating unit (group of cash-generating units) is less than the carrying amount, an impairment loss is recognised. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Where goodwill has been allocated to a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on the disposal. Goodwill disposed of in these circumstances is measured based on the relative value of the operation disposed of and the portion of the cash-generating unit retained.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of non-financial assets

Where an indication of impairment exists, or when annual impairment testing for an asset is required (other than inventories, construction contract assets, financial assets, investment properties and non-current assets/a disposal group classified as held for sale), the asset's recoverable amount is estimated. An asset's recoverable amount is the higher of the asset's or cash-generating unit's value in use and its fair value less costs of disposal, and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets, in which case the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss is recognised only if the carrying amount of an asset exceeds its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. An impairment loss is charged to profit or loss in the period in which it arises in those expense categories consistent with the function of the impaired asset.

An assessment is made at the end of each reporting period as to whether there is an indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the recoverable amount is estimated. A previously recognised impairment loss of an asset other than goodwill is reversed only if there has been a change in the estimates used to determine the recoverable amount of that asset, but not to an amount higher than the carrying amount that would have been determined (net of any depreciation/amortisation) had no impairment loss been recognised for the asset in prior years. A reversal of such an impairment loss is credited to profit or loss in the period in which it arises.

Related parties

A party is considered to be related to the Group if:

(a) the party is a person or a close member of that person's family and that person

  (i) has control or joint control over the Group;

  (ii) has significant influence over the Group; or

  (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Related parties *(continued)*

(b) the party is an entity where any of the following conditions applies:

(i) the entity and the Group are members of the same group;

(ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);

(iii) the entity and the Group are joint ventures of the same third party;

(iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;

(v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group;

(vi) the entity is controlled or jointly controlled by a person identified in (a);

(vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and

(viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

Property, plant and equipment and depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and any impairment losses. The cost of an item of property, plant and equipment comprises its purchase price and any directly attributable costs of bringing the asset to its working condition and location for its intended use.

Expenditure incurred after items of property, plant and equipment have been put into operation, such as repairs and maintenance, is normally charged to profit or loss in the period in which it is incurred. In situations where the recognition criteria are satisfied, the expenditure for a major inspection is capitalised in the carrying amount of the asset as a replacement. Where significant parts of property, plant and equipment are required to be replaced at intervals, the Group recognises such parts as individual assets with specific useful lives and depreciates them accordingly.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Property, plant and equipment and depreciation *(continued)*

Depreciation is calculated on the straight-line basis to write off the cost of each item of property, plant and equipment to its residual value over its estimated useful life. The principal annual rates used for this purpose are as follows:

Computer	25%
Office equipment	25%
Furniture and fixtures	25%
Motor vehicles	25%
Leasehold improvements	33.3%

Where parts of an item of property, plant and equipment have different useful lives, the cost of that item is allocated on a reasonable basis among the parts and each part is depreciated separately. Residual values, useful lives and the depreciation method are reviewed, and adjusted if appropriate, at least at each financial year end.

An item of property, plant and equipment including any significant part initially recognised is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss on disposal or retirement recognised in profit or loss in the year the asset is derecognised is the difference between the net sales proceeds and the carrying amount of the relevant asset.

Intangible assets (other than goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Trademark

Trademark is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 12 years.

Customer lists

Customer lists are stated at cost less any impairment losses and are amortised on the straight-line basis over their estimated useful lives of 10 years.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Operating leases

Leases where substantially all the rewards and risks of ownership of assets remain with the lessor are ac-counted for as operating leases. Where the Group is the lessee, rentals payable under operating leases net of any incentives received from the lessor are charged to profit or loss on the straight-line basis over the lease terms.

Investments and other financial assets

Initial recognition and measurement

Financial assets are classified, at initial recognition, as financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial investments, or as derivatives designated as hedging instruments in an effective hedge, as appropriate. When financial assets are recognised initially, they are measured at fair value plus transaction costs that are attributable to the acquisition of the financial assets, except in the case of financial assets recorded at fair value through profit or loss.

All regular way purchases and sales of financial assets are recognised on the trade date, that is, the date that the Group commits to purchase or sell the asset. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the marketplace.

Subsequent measurement

The subsequent measurement of financial assets depends on their classification is as follows:

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. After initial measurement, such assets are subsequently measured at amortised cost using the effective interest rate method less any allowance for impairment. Amortised cost is calculated by taking into account any discount or premium on acquisition and includes fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in other income and gains in profit or loss. The loss arising from impairment is recognised in profit or loss and in other expenses for receivables.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Investments and other financial assets *(continued)*

Available-for-sale financial investments

Available-for-sale financial investments are non-derivative financial assets in unlisted equity investments. Equity investments classified as available for sale are those which are neither classified as held for trading nor designated as at fair value through profit or loss.

After initial recognition, available-for-sale financial investments are subsequently measured at fair value, with unrealised gains or losses recognised as other comprehensive income in the available-for-sale investment revaluation reserve until the investment is derecognised, at which time the cumulative gain or loss is recognised in profit or loss in other income, or until the investment is determined to be impaired, when the cumulative gain or loss is reclassified from the available-for-sale investment revaluation reserve to profit or loss in other gains or losses. Interest and dividends earned whilst holding the available-for-sale financial investments are reported as interest income and dividend income, respectively and are recognised in profit or loss as other income.

When the fair value of unlisted equity investments cannot be reliably measured because (a) the variability in the range of reasonable fair value estimates is significant for that investment or (b) the probabilities of the various estimates within the range cannot be reasonably assessed and used in estimating fair value, such investments are stated at cost less any impairment losses.

The Group evaluates whether the ability and intention to sell its available-for-sale financial assets in the near term are still appropriate. When, in rare circumstances, the Group is unable to trade these financial assets due to inactive markets, the Group may elect to reclassify these financial assets if management has the ability and intention to hold the assets for the foreseeable future or until maturity.

For a financial asset reclassified from the available-for-sale category, the fair value carrying amount at the date of reclassification becomes its new amortised cost and any previous gain or loss on that asset that has been recognised in equity is amortised to profit or loss over the remaining life of the investment using the effective interest rate. Any difference between the new amortised cost and the maturity amount is also amortised over the remaining life of the asset using the effective interest rate. If the asset is subsequently determined to be impaired, then the amount recorded in equity is reclassified to profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Derecognition of financial assets

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated statement of financial position) when:

- the rights to receive cash flows from the asset have expired; or
- the Group has transferred its rights to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a "pass-through" arrangement; and either (a) the Group has transferred substantially all the risks and rewards of the asset, or (b) the Group has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Group has transferred its rights to receive cash flows from an asset or has entered into a pass-through arrangement, it evaluates if and to what extent it has retained the risk and rewards of ownership of the asset. When it has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the Group continues to recognise the transferred asset to the extent of the Group's continuing involvement. In that case, the Group also recognises an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group has retained.

Impairment of financial assets

The Group assesses at the end of each reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired. An impairment exists if one or more events that occurred after the initial recognition of the asset have an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated. Evidence of impairment may include indications that a debtor or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation and observable data indicating that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Financial assets carried at amortised cost

For financial assets carried at amortised cost, the Group first assesses whether impairment exists individually for financial assets that are individually significant, or collectively for financial assets that are not individually significant. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is, or continues to be, recognised are not included in a collective assessment of impairment.

The amount of any impairment loss identified is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not yet been incurred). The present value of the estimated future cash flows is discounted at the financial asset's original effective interest rate (i.e., the effective interest rate computed at initial recognition).

The carrying amount of the asset is reduced through the use of an allowance account and the loss is recognised in profit or loss. Interest income continues to be accrued on the reduced carrying amount using the rate of interest used to discount the future cash flows for the purpose of measuring the impairment loss. Loans and receivables together with any associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group.

If, in a subsequent period, the amount of the estimated impairment loss increases or decreases because of an event occurring after the impairment was recognised, the previously recognised impairment loss is increased or reduced by adjusting the allowance account. If a write-off is later recovered, the recovery is credited to profit or loss.

Available-for-sale financial investments

For available-for-sale financial investments, the Group assesses at the end of each reporting period whether there is objective evidence that an investment or a group of investments is impaired. If an available-for-sale asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current fair value, less any impairment loss previously recognised in profit or loss, is removed from other comprehensive income and recognised in profit or loss.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Impairment of financial assets *(continued)*

Available-for-sale financial investments *(continued)*

In the case of equity investments classified as available for sale, objective evidence would include a significant or prolonged decline in the fair value of an investment below its cost. "Significant" is evaluated against the original cost of the investment and "prolonged" against the period in which the fair value has been below its original cost. Where there is evidence of impairment, the cumulative loss – measured as the difference between the acquisition cost and the current fair value, less any impairment loss on that investment previously recognised in profit or loss – is removed from other comprehensive income and recognised in profit or loss. Impairment losses on equity instruments classified as available for sale are not reversed through profit or loss. Increases in their fair value after impairment are recognised directly in other comprehensive income.

The determination of what is "significant" or "prolonged" requires judgement. In making this judgement, the Group evaluates, among other factors, the duration or extent to which the fair value of an investment is less than its cost.

Financial liabilities

Initial recognition and measurement

Financial liabilities are classified, at initial recognition, as financial liabilities at fair value through profit or loss, loans and borrowings, or as derivatives designated as hedging instruments in an effective hedge, as appropriate.

All financial liabilities are recognised initially at fair value and net of directly attributable transaction costs.

The Group's financial liabilities include trade and other payables, financial liabilities included in other payables and accruals, dividend payable and amounts due to related companies.

Subsequent measurement

The subsequent measurement of loans and borrowing is as follows:

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Financial liabilities *(continued)*

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost, using the effective interest rate method unless the effect of discounting would be immaterial, in which case they are stated at cost. Gains and losses are recognised in profit or loss when the liabilities are derecognised as well as through the effective interest rate amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included in finance costs in profit or loss.

Derecognition of financial liabilities

A financial liability is derecognised when the obligation under the liability is discharged or cancelled, or expires.

When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and a recognition of a new liability, and the difference between the respective carrying amounts is recognised in profit or loss.

Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liabilities simultaneously.

Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the first-in, first-out basis. Net realisable value is based on estimated selling prices less any estimated costs to be incurred to disposal.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Cash and cash equivalents

For the purpose of the consolidated statement of cash flows, cash and cash equivalents comprise cash on hand and demand deposits, and short term highly liquid investments that are readily convertible into known amounts of cash, are subject to an insignificant risk of changes in value, and have a short maturity of generally within three months when acquired, less bank overdrafts which are repayable on demand and form an integral part of the Group's cash management.

For the purpose of the consolidated statement of financial position, cash and cash equivalents comprise cash on hand and at banks, including term deposits, and assets similar in nature to cash which are not restricted as to use.

Provision

A provision is recognised when a present obligation (legal or constructive) has arisen as a result of a past event and it is probable that a future outflow of resources will be required to settle the obligation, provided that a reliable estimate can be made of the amount of the obligation.

When the effect of discounting is material, the amount recognised for a provision is the present value at the end of the reporting period of the future expenditures expected to be required to settle the obligation. The increase in the discounted present value amount arising from the passage of time is included in finance costs in profit or loss.

Provision for reinstatement costs is recognised based on past experience of the actual costs incurred.

Income tax

Income tax comprises current and deferred tax. Income tax relating to items recognised outside profit or loss is recognised outside profit or loss, either in other comprehensive income or directly in equity.

Current tax assets and liabilities are measured at the amount expected to be recovered from or paid to the taxation authorities, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period, taking into consideration interpretations and practices prevailing in the countries in which the Group operates.

Deferred tax is provided, using the liability method, on all temporary differences at the end of the reporting period between the tax bases of assets and liabilities and their carrying amounts for financial reporting purposes.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Income tax *(continued)*

Deferred tax liabilities are recognised for all taxable temporary differences, except:

- when the deferred tax liability arises from the initial recognition of goodwill or an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of taxable temporary differences associated with investments in subsidiaries, associates and joint ventures, when the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax assets are recognised for all deductible temporary differences, the carryforward of unused tax credits and any unused tax losses. Deferred tax assets are recognised to the extent that it is probable that taxable profit will be available against which the deductible temporary differences, the carryforward of unused tax credits and unused tax losses can be utilised, except:

- when the deferred tax asset relating to the deductible temporary differences arises from the initial recognition of an asset or liability in a transaction that is not a business combination and, at the time of the transaction, affects neither the accounting profit nor taxable profit or loss; and
- in respect of deductible temporary differences associated with investments in subsidiaries, associates and joint ventures, deferred tax assets are only recognised to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilised.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be utilised. Unrecognised deferred tax assets are reassessed at the end of each reporting period and are recognised to the extent that it has become probable that sufficient taxable profit will be available to allow all or part of the deferred tax asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on tax rates (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax assets and deferred tax liabilities are offset if and only if the Group has a legally enforceable right to set off current tax assets and current tax liabilities and the deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax liabilities and assets on a net basis, or to realise the assets and settle the liabilities simultaneously, in each future period in which significant amounts of deferred tax liabilities or assets are expected to be settled or recovered.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Revenue recognition

Revenue is recognised when it is probable that the economic benefits will flow to the Group and when the revenue can be measured reliably, on the following bases:

(a) from the rendering of integrated healthcare services and management services, when the services are rendered; and

(b) interest income, on an accrual basis using the effective interest method by applying the rate that exactly discounts the estimated future cash receipts over the expected life of the financial instrument or a shorter period, when appropriate, to the net carrying amount of the financial asset.

Employee benefits

Paid leave carried forward

The Group provides paid annual leave to its employees under their employment contracts on a calendar year basis. Under certain circumstances, such leave which remains untaken as at the end of the reporting period is permitted to be carried forward and utilised by the respective employees in the following year. An accrual is made at the end of the reporting period for the expected future cost of such paid leave earned during the year by the employees and carried forward.

Pension schemes

The Group operates a defined contribution Mandatory Provident Fund retirement benefit scheme (the "**MPF Scheme**") under the Mandatory Provident Fund Schemes Ordinance for all of its employees. Contributions are made based on a percentage of the employees' basic salaries and are charged to profit or loss as they become payable in accordance with the rules of the MPF Scheme. The assets of the MPF Scheme are held separately from those of the Group in an independently administered fund. The Group's employer contributions vest fully with the employees when contributed into the MPF Scheme.

Dividends

Final dividends are recognised as a liability when they are approved by the shareholders in a general meeting.

2.5 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(continued)*

Foreign currencies

These financial statements are presented in Hong Kong dollars, which is the Company's functional currency. Each entity in the Group determines its own functional currency and items included in the financial statements of each entity are measured using that functional currency. Foreign currency transactions recorded by the entities in the Group are initially recorded using their respective functional currency rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated at the functional currency rates of exchange ruling at the end of the reporting period. Differences arising on settlement or translation of monetary items are recognised in profit or loss.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

The functional currencies of an overseas subsidiary and a joint venture are currencies other than the Hong Kong dollar. As at the end of the reporting period, the assets and liabilities of these entities are translated into Hong Kong dollars at the exchange rates prevailing at the end of the reporting period and their statements of profit or loss are translated into Hong Kong dollars at the weighted average exchange rates for the year.

The resulting exchange differences are recognised in other comprehensive income and accumulated in the exchange reserve. On disposal of a foreign operation, the component of other comprehensive income relating to that particular foreign operation is recognised in profit or loss.

For the purpose of the consolidated statement of cash flows, the cash flows of a subsidiary are translated into Hong Kong dollars at the exchange rates ruling at the dates of the cash flows. Frequently recurring cash flows of overseas subsidiaries which arise throughout the year are translated into Hong Kong dollars at the weighted average exchange rates for the year.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES

The preparation of the Group's financial statements requires management to make judgements, estimates and assumptions that affect the reported amounts of revenues, expenses, assets and liabilities, and their accompanying disclosures, and the disclosure of contingent liabilities. Uncertainty about these assumptions and estimates could result in outcomes that could require a material adjustment to the carrying amounts of the assets or liabilities affected in the future.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Judgements

In the process of applying the Group's accounting policies, management has made the following judgements, apart from those involving estimations, which have the most significant effect on the amounts recognised in the financial statements:

Current tax and deferred tax

The Group is subject to income taxes in Hong Kong. The Group carefully evaluates tax implications of its transactions in accordance with prevailing tax regulations and makes tax provision accordingly. Judgement is required in determining the amount of the provision for tax as there are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact on the income tax and deferred tax provisions in the periods in which such determination is made.

Estimation uncertainty

The key assumptions concerning the future and other key sources of estimation uncertainty at the end of the reporting period, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are described below.

Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the value in use of the cash-generating units to which the goodwill is allocated. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at 30 June 2018 was HK$31,964,000 (2017: HK$31,964,000). Further details are given in note 13 to the financial statements.

Impairment of trade receivables

The Group estimates the impairment for trade receivables by assessing the recoverability based on credit history and prevailing market conditions. This requires the use of estimates and judgements. Allowances are applied to trade receivables where events or changes in circumstances indicate that the balances may not be collectible. Where the expectation is different from the original estimate, the difference will affect the carrying amounts of trade receivables and thus the impairment loss in the period in which the estimate is changed. The Group reassesses the impairment allowances at the end of each reporting period. As at 30 June 2018, the carrying amount of trade receivables was HK$31,936,000 (2017: HK$31,451,000). Further details are given in note 18 to the financial statements.

3. SIGNIFICANT ACCOUNTING JUDGEMENTS AND ESTIMATES *(continued)*

Estimation uncertainty *(continued)*

Provision for obsolete inventories and write-down of inventories to net realisable value

The Group reviews an ageing analysis of its inventories at the end of each reporting period, and makes allowances if there are obsolete and slow-moving inventory items identified that are no longer suitable for use or selling. The Group also reviews the expiration of its inventory items at the end of each reporting period, and makes allowances if there are inventory items identified that are expired. The estimated net realisable value of the Group's inventories is based primarily on the latest selling prices and current market conditions. As at 30 June 2018, the carrying amount of inventories was HK$7,493,000 (2017: HK$7,604,000). Further details are given in note 17 to the financial statements.

4. SEGMENT INFORMATION

For management purposes, the Group is organised into business units based on their products and services and has three reportable operating segments as follows:

(a) General practice services segment engages in the provision of general medical consultation and related services;

(b) Specialties services segment engages in the provision of specialist services and related medical services; and

(c) Dental services segment which comprises the provision of dental services and related treatment.

Management monitors the results of the Group's operating segments separately for the purpose of making decisions about resources allocation and performance assessment. Segment performance is evaluated based on reportable segment profit/loss, which is a measure of adjusted profit/loss before tax. The adjusted profit/loss before tax is measured consistently with the Group's profit before tax except that interest income, management fee income from a related party, share of losses of a joint venture, as well as head office and corporate income and expenses are excluded from such measurement.

Segment assets exclude other unallocated head office and corporate assets as these assets are managed on a group basis.

Segment liabilities exclude unallocated head office and corporate liabilities as these liabilities are managed on a group basis.

4. SEGMENT INFORMATION *(continued)*

Intersegment sales and transfers are transacted with reference to the selling prices used for sales made to third parties at the then prevailing market prices.

	General practice services		Specialties services		Dental services		Total	
	2018	2017	**2018**	2017	**2018**	2017	**2018**	2017
	HK$'000	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*	***HK$'000***	*HK$'000*
Segment revenue:								
Revenue from external customers	**331,471**	319,788	**121,668**	109,567	**64,881**	51,792	**518,020**	481,147
Intersegment sales	**781**	3,076	**4,162**	3,920	**16**	9	**4,959**	7,005
							522,979	488,152
Reconciliation:								
Elimination of intersegment sales							**(4,959)**	(7,005)
							518,020	481,147
Segment results	**78,596**	70,877	**6,944**	2,843	**8,465**	3,855	**94,005**	77,575
Interest income							**367**	437
Management fee income from a related party							**159**	138
Corporate and unallocated income							**3**	2
Corporate and unallocated expenses							**(55,512)**	(53,168)
Share of losses from a joint venture							**(7,236)**	(4,887)
Profit before tax							**31,786**	20,097
Income tax expense	**(6,468)**	(5,845)	**(1,464)**	(1,193)	**(689)**	(468)	**(8,621)**	(7,506)
Profit for the year							**23,165**	12,591
Segment assets	**179,289**	181,777	**77,785**	50,826	**58,211**	47,155	**315,285**	279,758
Elimination of intersegment receivables							**(27,886)**	(29,499)
Corporate and other unallocated assets							**56,007**	69,918
Total assets							**343,406**	320,177
Segment liabilities	**33,749**	39,341	**19,170**	15,606	**26,527**	23,849	**79,446**	78,796
Elimination of intersegment payables							**(27,886)**	(29,499)
Corporate and other unallocated liabilities							**17,606**	14,339
Total liabilities							**69,166**	63,636
Other segment information:								
Depreciation	**1,413**	1,293	**3,962**	3,493	**2,080**	1,812	**7,455**	6,598
Amortisation of other intangible assets	**736**	737	**347**	347	**528**	528	**1,611**	1,612
Capital expenditure#	**1,794**	2,297	**2,456**	7,261	**4,089**	1,502	**8,339**	11,060

Capital expenditure consists of additions to property, plant and equipment.

4. SEGMENT INFORMATION *(continued)*

Geographical information

In determining the Group's geographical segments, revenues and results are attributed to the segments based on the location of the customers, and assets are attributed to the segments based on the location of the assets. As the Group's major operations and markets are principally located in Hong Kong, no further geographical segment information is provided.

Information about major customers

No revenue from the Group's sales to a single customer amounted to 10% or more of the Group's total revenue for each of the years ended 30 June 2018 and 2017.

5. REVENUE, OTHER INCOME AND GAINS

Revenue represents the value of services rendered.

An analysis of the Group's revenue, other income and gains is as follows:

	2018	2017
	HK$'000	*HK$'000*
Revenue		
Integrated healthcare services income	**518,020**	481,147
Other income and gains		
Bank interest income	**367**	437
Management fee income	**159**	138
Others	**229**	317
	755	892

6. PROFIT BEFORE TAX

The Group's profit before tax is arrived at after charging/(crediting):

	2018	2017
	HK$'000	*HK$'000*
Cost of pharmaceutical supplies	**46,774**	40,378
Fees payable to doctors and dentists	**225,369**	211,582
Laboratory expenses	**2,578**	2,980
Depreciation	**8,687**	7,676
Amortisation of other intangible assets*	**1,611**	1,612
Loss/(gain) on disposal of items of property, plant and equipment	**127**	(224)
Minimum lease payments under operating leases	**64,953**	63,945
Contingent rents under operating leases	**42**	–
Auditor's remuneration	**1,585**	1,494
Employee benefit expense (excluding directors' remuneration):		
Wages and salaries	**89,824**	90,943
Equity-settled share option expense	**261**	185
Pension scheme contributions	**3,788**	3,933
	93,873	95,061
(Reversal of write-down)/write-down of inventories to net realisable value#	**(275)**	47

* The amortisation of other intangible assets for the year is included in administrative expenses in the consolidated statement of profit or loss and other comprehensive income.

\# The (reversal of write-down)/write-down of inventories to net realisable value is included in cost of services rendered in the consolidated statement of profit or loss and other comprehensive income.

7. DIRECTORS' REMUNERATION

Directors' remuneration for the year, disclosed pursuant to the Listing Rules, section 383(1)(a), (b), (c) and (f) of the Hong Kong Companies Ordinance and Part 2 of the Companies (Disclosure of Information about Benefits of Directors) Regulation, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Fees	**540**	540
Other emoluments:		
Salaries, allowances and benefits in kind	**7,680**	7,680
Discretionary performance-related bonus	**377**	657
Equity-settled share option expense	**334**	246
Pension scheme contributions	**72**	72
	8,463	8,655
	9,003	9,195

(a) Independent non-executive directors

The fees paid to independent non-executive directors during the year are as follows:

	2018	2017
	HK$'000	*HK$'000*
Dr. Lui Sun Wing	**180**	*180*
Mr. Chan Yue Kwong Michael	**180**	180
Mr. Sin Kar Tim	**180**	180
	540	540

There were no other emoluments payable to the independent non-executive directors during the year (2017: Nil).

7. DIRECTORS' REMUNERATION *(continued)*

(b) Executive directors

	Fees HK$'000	Salaries, allowances and benefits in kind HK$'000	Discretionary performance-related bonuses HK$'000	Equity-settled share option expenses HK$'000	Pension scheme contributions HK$'000	Total remuneration HK$'000
2018						
Executive directors:						
Mr. Chan Kin Ping *	**–**	**2,160**	**106**	**–**	**18**	**2,284**
Dr. Pang Lai Sheung	**–**	**2,160**	**106**	**–**	**18**	**2,284**
Dr. Sat Chui Wan	**–**	**1,920**	**94**	**206**	**18**	**2,238**
Mr. Poon Chun Pong	**–**	**1,440**	**71**	**128**	**18**	**1,657**
	–	**7,680**	**377**	**334**	**72**	**8,463**
2017						
Executive directors:						
Mr. Chan Kin Ping	–	2,160	185	–	18	2,363
Dr. Pang Lai Sheung	–	2,160	185	–	18	2,363
Dr. Sat Chui Wan	–	1,920	164	151	18	2,253
Mr. Poon Chun Pong	–	1,440	123	95	18	1,676
	–	7,680	657	246	72	8,655

There was no arrangement under which a director waived or agreed to waive any remuneration during the year (2017: Nil).

* Mr. Chan Kin Ping is also the chief executive officer of the Company during the year.

8. FIVE HIGHEST PAID EMPLOYEES

The five highest paid employees during the year included four (2017: four) directors, details of whose remuneration are set out in note 7 above. Details of the remuneration for the year of the remaining one (2017: one) highest paid employee who is neither a director nor chief executive of the Company are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Salaries, allowances and benefits in kind	**1,392**	1,000
Discretionary performance-related bonuses	**113**	–
Pension scheme contributions	**18**	18
	1,523	1,018

8. FIVE HIGHEST PAID EMPLOYEES *(continued)*

The number of non-director and non-chief executive highest paid employees whose remuneration fell within the following band is as follows:

	Number of employees	
	2018	2017
HK$1,000,001 to HK$2,000,000	**1**	1

9. INCOME TAX

Pursuant to the rules and regulations of the Cayman Islands and the British Virgin Islands, the Group is not subject to any income tax in the Caymans Islands and the British Virgin Islands.

Hong Kong profits tax has been made at the rate of 16.5% (2017: 16.5%) on the estimated assessable profits arising in Hong Kong. No provision for PRC corporate income tax has been made as the Group's PRC subsidiary had no estimated assessable profits for the year (2017: Nil).

	2018	2017
	HK$'000	*HK$'000*
Current		
Charge for the year	**9,305**	7,915
Overprovision in prior years	**(554)**	(194)
Deferred (note 24)	**(130)**	(215)
Total tax charge for the year	**8,621**	7,506

9. INCOME TAX *(continued)*

A reconciliation of the tax expense applicable to profit before tax at the statutory rates for the jurisdictions in which the Company and the majority of its subsidiaries are domiciled to the tax expense at the effective tax rate, and a reconciliation of the applicable rates (i.e. the statutory tax rates) to the effective tax rates, are as follows:

	2018 ***HK$'000***	2017 *HK$'000*
Profit before tax	**31,786**	20,097
Tax at the statutory tax rate of 16.5%	**5,245**	3,316
Adjustments in respect of current tax of previous periods	**(554)**	(194)
Income not subject to tax	**(61)**	(72)
Expenses not deductible for tax	**702**	762
Tax losses not recognised	**2,095**	2,786
Tax losses utilised from previous periods	**(50)**	–
Losses attributable to a joint venture	**1,194**	806
Others	**50**	102
Tax charge at the Group's effective rate of 27.1% (2017: 37.3%)	**8,621**	7,506

10. DIVIDENDS

	2018 ***HK$'000***	2017 *HK$'000*
Proposed final – HK3 cents (2017: HK2 cents) per ordinary share	**10,845**	*7,230*

The proposed final dividend for the year is subject to the approval of the Company's shareholders at the forthcoming annual general meeting.

11. EARNINGS PER SHARE ATTRIBUTABLE TO ORDINARY EQUITY HOLDERS OF THE COMPANY

The calculation of the basic earnings per share amount is based on the profit for the year attributable to ordinary equity holders of the Company of HK$24,111,000 (2017: HK$13,469,000), and the weighted average number of ordinary shares of 361,502,000 (2017: 361,502,000) in issue during the year.

No adjustment has been made to the basic earnings per share amounts presented for the years ended 30 June 2018 and 2017 in respect of a dilution as the impact of the share options outstanding had an anti-dilutive effect on the basic earnings per share amounts presented.

12. PROPERTY, PLANT AND EQUIPMENT

	Computer HK$'000	Office equipment HK$'000	Furniture and fixtures HK$'000	Motor Vehicles HK$'000	Leasehold improvements HK$'000	Total HK$'000
30 June 2018						
At 1 July 2017:						
Cost	7,702	37,772	3,356	1,718	36,066	86,614
Accumulated depreciation	(5,076)	(31,629)	(2,881)	(1,718)	(29,469)	(70,773)
Net carrying amount	2,626	6,143	475	–	6,597	15,841
At 1 July 2017, net of accumulated depreciation	2,626	6,143	475	–	6,597	15,841
Additions	1,855	3,662	192	–	4,939	10,648
Disposals	(8)	(81)	(1)	–	(78)	(168)
Depreciation provided during the year	(1,243)	(3,119)	(265)	–	(4,060)	(8,687)
Exchange realignment	1	–	–	–	–	1
At 30 June 2018, net of accumulated depreciation	3,231	6,605	401	–	7,398	17,635
At 30 June 2018:						
Cost	9,293	38,084	3,281	1,718	38,188	90,564
Accumulated depreciation	(6,062)	(31,479)	(2,880)	(1,718)	(30,790)	(72,929)
Net carrying amount	3,231	6,605	401	–	7,398	17,635

12. PROPERTY, PLANT AND EQUIPMENT *(continued)*

	Computer *HK$'000*	Office equipment *HK$'000*	Furniture and fixtures *HK$'000*	Motor Vehicles *HK$'000*	Leasehold improvements *HK$'000*	Total *HK$'000*
30 June 2017						
At 1 July 2016:						
Cost	5,453	32,879	4,850	1,718	29,599	74,499
Accumulated depreciation	(3,858)	(27,488)	(4,141)	(1,620)	(27,405)	(64,512)
Net carrying amount	1,595	5,391	709	98	2,194	9,987
At 1 July 2016, net of accumulated depreciation	1,595	5,391	709	98	2,194	9,987
Additions	2,294	3,819	126	–	7,326	13,565
Disposals	(8)	(27)	–	–	–	(35)
Depreciation provided during the year	(1,255)	(3,040)	(360)	(98)	(2,923)	(7,676)
At 30 June 2017, net of accumulated depreciation	2,626	6,143	475	–	6,597	15,841
At 30 June 2017:						
Cost	7,702	37,772	3,356	1,718	36,066	86,614
Accumulated depreciation	(5,076)	(31,629)	(2,881)	(1,718)	(29,469)	(70,773)
Net carrying amount	2,626	6,143	475	–	6,597	15,841

13. GOODWILL

	HK$'000
At 1 July 2016, 30 June 2017, 1 July 2017 and 30 June 2018	
Cost	31,964
Accumulated impairment	–
Net carrying amount	31,964

13. GOODWILL *(continued)*

Impairment testing of goodwill

The carrying amount of the goodwill acquired through acquisitions of subsidiaries is allocated to the following cash-generating units:

	2018	2017
	HK$'000	*HK$'000*
General practice services	**5,897**	5,897
Specialties services	**2,774**	2,774
Dental services	**23,293**	23,293
	31,964	31,964

General practice services cash-generating unit

The recoverable amount of the general practice services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.5% (2017: 15.5%) for the year ended 30 June 2018. The growth rate used to extrapolate the cash flows of the general practice services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the general practice services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

Specialties services cash-generating unit

The recoverable amount of the specialties services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.5% (2017: 15.5%) for the year ended 30 June 2018. The growth rate used to extrapolate the cash flows of the specialties services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the specialties services cash-generating unit believes that this growth rate is justified, given the established business model adopted by the Group. The Group has an extensive medical centre network which has enjoyed the economies of scale to obtain optimum operational efficiency.

13. GOODWILL *(continued)*

Dental services cash-generating unit

The recoverable amount of the dental services cash-generating unit has been determined based on a value in use calculation using cash flow projections based on financial budgets covering a five-year period approved by senior management. The discount rate applied to the cash flow projections is 11.5% (2017: 14.5%) for the year ended 30 June 2018. The growth rate used to extrapolate the cash flows of the dental services cash-generating unit beyond the five-year period is 2%. This growth rate does not exceed the average growth rate of the healthcare industry. Senior management of the dental services cash-generating unit believes that this growth rate is justified, given the medical centre network established by the Group.

Assumptions were used in the value in use calculation of the general practice services, specialties services and dental services cash-generating units at 30 June 2018. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of goodwill:

Budgeted gross margins – The basis used to determine the value assigned to the budgeted gross margins is the average gross margins achieved in the year immediately before the budget year, increased for expected efficiency improvements, and expected market development.

Discount rates – The discount rates used are before tax and reflect specific risks relating to the relevant units.

Growth rates – The growth rates are determined with reference to the historical growth rates for the relevant unit, adjusted for expected business, market development and economic condition.

The values assigned to the key assumptions on market development of industries and discount rates are consistent with external information sources.

14. OTHER INTANGIBLE ASSETS

	Trademark *HK$'000*	Customer lists *HK$'000*	Total *HK$'000*
30 June 2018			
Cost at 1 July 2017, net of accumulated amortisation	**5,911**	**7,524**	**13,435**
Amortisation provided during the year	**(633)**	**(978)**	**(1,611)**
At 30 June 2018, net of accumulated amortisation	**5,278**	**6,546**	**11,824**
At 30 June 2018:			
Cost	**7,600**	**9,780**	**17,380**
Accumulated amortisation	**(2,322)**	**(3,234)**	**(5,556)**
Net carrying amount	**5,278**	**6,546**	**11,824**
30 June 2017			
Cost at 1 July 2016, net of accumulated amortisation	6,545	8,502	15,047
Amortisation provided during the year	(634)	(978)	(1,612)
At 30 June 2017, net of accumulated amortisation	5,911	7,524	13,435
At 30 June 2017:			
Cost	7,600	9,780	17,380
Accumulated amortisation	(1,689)	(2,256)	(3,945)
Net carrying amount	5,911	7,524	13,435

15. INVESTMENT IN A JOINT VENTURE

	2018 *HK$'000*	2017 *HK$'000*
Share of net assets	**7,248**	13,669

On 24 April 2015, Yingjing Qiye and Ping An Health Internet Holdings Limited ("**Ping An Health**") which is a third party to the Group, have set up a limited company in the PRC named 平安盈健醫療管理(上海)有限公司 ("**Pingan Yingjian**"), which acts as the Group's medical services provider in Mainland China. Pingan Yingjian was effectively owned as to 50% by the Group and 50% by Ping An Health, and is accounted as a joint venture of the Group.

15. INVESTMENT IN A JOINT VENTURE *(continued)*

Particulars of the Group's joint venture are as follows:

Name	Particulars of registered capital	Place of registration and business	Ownership interest	Percentage of Voting power	Profit sharing	Principal activities
平安盈健醫療管理（上海）有限公司 ("**Pingan Yingjian**")	Renminbi ("**RMB**") 35,000,000	PRC/Mainland China	50	40*	50	Provision of medical services

* The Group is entitled to nominate two out of five directors in Pingan Yingjian. A board resolution is passed when two-thirds of the votes are obtained from the directors. Accordingly, none of the joint venture partner could exercise control over Pingan Yingjian.

Pingan Yingjian is accounted for using the equity method.

The following table illustrates the summarised financial information in respect of Pingan Yingjian adjusted for any difference in accounting policies and reconciled to the carrying amount in the financial statements:

	2018	2017
	HK$'000	*HK$'000*
Cash and cash equivalents	**6,519**	18,148
Other current assets	**2,620**	2,239
Current assets	**9,139**	20,387
Non-current assets	**7,505**	8,515
Financial liabilities and current liabilities	**(2,148)**	(1,565)
Net assets	**14,496**	27,337

	2018	2017
	HK$'000	*HK$'000*
Reconciliation to the Group's interest in the joint venture:		
Proportion of the Group's ownership	**50%**	50%
Carrying amount of the investment	**7,248**	13,669
Revenue	**1,398**	233
Interest income	**39**	80
Depreciation	**(1,966)**	(690)
Loss and total comprehensive loss for the year	**(14,472)**	(9,774)

16. AVAILABLE-FOR-SALE INVESTMENT

	2018	2017
	HK$'000	*HK$'000*
Unlisted equity securities, at fair value	3,500	–

The above investment consists of investments in equity securities which were designated as available-for-sale financial assets and have no fixed maturity dates or coupon rates.

17. INVENTORIES

	2018	2017
	HK$'000	*HK$'000*
Pharmaceutical supplies	7,493	7,604

18. TRADE RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Trade receivables	31,936	31,451

Most of the patients of the medical and dental practices settle in cash and credit cards. Payments by patients using medical cards or corporate customers will normally be settled within 1 to 6 months. The Group allows an average credit period of 70 days to its trade customers under other business activities. The Group seeks to maintain strict control over its outstanding receivables and has personnel to monitor the implementation of measures to minimise the credit risk. In view of the aforementioned and the fact that the Group's trade receivables relate to a large number of diversified customers, there is no significant concentration of credit risk. The Group does not hold any collateral or other credit enhancements over its trade receivable balances. Trade receivables are non-interest-bearing.

18. TRADE RECEIVABLES *(continued)*

An ageing analysis of the trade receivables as at the end of the reporting period, based on the invoice date is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 2 months	**25,873**	25,122
2 to 4 months	**5,319**	4,605
4 to 6 months	**490**	1,378
Over 6 months	**254**	346
	31,936	31,451

An ageing analysis of trade receivables that are neither individually nor collectively to be impaired is as follows:

	2018	2017
	HK$'000	*HK$'000*
Neither past due nor impaired	**30,211**	22,800
Less than 1 month past due	**653**	3,360
1 to 3 months past due	**790**	2,956
Over 3 months past due	**282**	2,335
	31,936	31,451

Receivables that were neither past due nor impaired relate to a large number of diversified customers for whom there was no recent history of default.

Receivables that were past due but not impaired relate to a number of independent customers that have a good track record with the Group. Based on past experience, the Directors are of the opinion that no provision for impairment is necessary in respect of these balances as there has not been a significant change in credit quality and the balances are still considered fully recoverable.

19. PREPAYMENTS, DEPOSITS AND OTHER RECEIVABLES

	2018	2017
	HK$'000	*HK$'000*
Prepayments	**2,840**	2,461
Deposits	**36,460**	25,257
Other receivables	**5**	13
	39,305	27,731
Less: Non-current portion	**(27,495)**	(15,912)
	11,810	11,819

None of the above assets is either past due or impaired. The financial assets included in the above balances related to receivables for which there was no recent history of default.

20. CASH AND CASH EQUIVALENTS

	2018	2017
	HK$'000	*HK$'000*
Cash and bank balances	**143,407**	147,057
Time deposits	**46,379**	25,788
	189,786	172,845
Less: Pledged time deposits for credit facilities	**(2,039)**	(2,039)
	187,747	170,806

At the end of the reporting period, the cash and bank balances of the Group denominated in RMB amounted to HK$5,429,000 (2017: HK$4,713,000). The RMB is not freely convertible into other currencies, however, under Mainland China's Foreign Exchange Control Regulations and Administration of Settlement, Sale and Payment of Foreign Exchange Regulations, the Group is permitted to exchange RMB for other currencies through banks authorised to conduct foreign exchange business.

Cash at banks earns interest at floating rates based on daily bank deposit rate. Short term time deposits are made for varying periods depending on the immediate cash requirements of the Group, and earn interest at the respective short term time deposit rates.

21. TRADE PAYABLES

An ageing analysis of the trade payables as at the end of the reporting period, based on the invoice date, is as follows:

	2018	2017
	HK$'000	*HK$'000*
Within 1 month	**22,061**	21,482
1 to 3 months	**3,335**	2,171
Over 3 months	**45**	10
	25,441	23,663

The trade payables are non-interest-bearing and are normally settled on terms of 60 days.

22. OTHER PAYABLES AND ACCRUALS

	2018	2017
	HK$'000	*HK$'000*
Other payables	**19,460**	17,802
Accruals	**10,549**	8,667
Provision for reinstatement costs (note 23)	**6,528**	4,989
	36,537	31,458
Less: Non-current portion	**(4,375)**	(2,450)
	32,162	29,008

Other payables and accruals are non-interest-bearing and are normally repayable on demand.

23. PROVISIONS

	Reinstatement costs HK$'000
At 1 July 2017	4,989
Additional provision	1,848
Underprovision in prior years	295
Amounts utilised during the year	(604)
At 30 June 2018	6,528

The Group provides for reinstatement costs for its medical centres, as estimated based on past experience of the actual costs incurred. The estimation basis is reviewed on an ongoing basis and revised where appropriate.

24. DEFERRED TAX

The movements in deferred tax liabilities and assets during the year are as follows:

Deferred tax liabilities

	Accelerated depreciation allowance HK$'000	Business combination HK$'000	Total HK$'000
At 1 July 2016	208	2,483	2,691
Deferred tax charged/(credited) to profit or loss during the year (note 9)	136	(266)	(130)
At 30 June 2017 and 1 July 2017	344	2,217	2,561
Deferred tax credited to profit or loss during the year (note 9)	(150)	(266)	(416)
At 30 June 2018	194	1,951	2,145

24. DEFERRED TAX *(continued)*

Deferred tax assets

	Depreciation in excess of depreciation allowance *HK$'000*
At 1 July 2016	1,586
Deferred tax credited to profit or loss during the year (note 9)	85
At 30 June 2017 and 1 July 2017	1,671
Deferred tax charged to profit or loss during the year (note 9)	(286)
At 30 June 2018	1,385

The Group has tax losses arising in Hong Kong of HK$76,636,000 (2017: HK$62,207,000) that are available indefinitely for offsetting against future taxable profits of the companies in which the losses arose.

Deferred tax assets have not been recognised in respect of these losses as they have arisen in subsidiaries that have been loss-making for some time and it is not considered probable that taxable profits will be available against which the tax losses can be utilised.

There are no income tax consequences attaching to the payment of dividends by the Company to the shareholders.

25. SHARE CAPITAL

Shares

	2018 **HK$'000**	2017 *HK$'000*
Issued and fully paid:		
361,502,000 (2017: 361,502,000) ordinary shares at HK$0.01 each	**3,615**	3,615

The Company has authorised share capital of HK$100,000,000 divided into 10,000,000,000 ordinary shares of HK$0.01 each.

26. SHARE OPTION SCHEME

Pursuant to the written resolution of the shareholders of the Company on 17 February 2016, the Company adopted a share option scheme (the "**Scheme**") for the purpose of providing incentives or rewards to eligible participants for their contribution to, and continuing efforts to promote the interests of the Group. Eligible participants of the Scheme include any director, employee (whether full time or part time), executive, officer, consultant, adviser, supplier, customer or agent of the Group or such other persons who in the sole opinion of the Company's board of directors have contributed to and/or will contribute to the Group. The Scheme became effective on 1 April 2016, the date of the Listing, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The total number of shares which may be issued upon exercise of all share options to be granted under the Scheme shall not in aggregate exceed 10% of the total number of shares of the Company in issue at the Listing Date. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period shall not exceed 1% of the shares of the Company in issue up to the date of grant. Any further grant of share options in excess of this limit is subject to shareholders' approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors (excluding any independent non-executive director who is a proposed grantee of the options). In addition, any share options granted to a substantial shareholder or an independent non-executive director of the Company, or to any of their associates, in excess of 0.1% of the shares of the Company in issue at the date of grant or with an aggregate value (based on the closing price of the Company's shares at the date of grant) in excess of HK$5 million, within any 12-month period, are subject to shareholders' approval in advance in a general meeting.

The offer of a grant of share options may be accepted within 28 days from the date of offer, upon payment of a nominal consideration of HK$1 in total by the grantee. The exercise period of the share options granted is determinable by the directors, and commences after a vesting period (if any) and ends on a date not later than the last day of the 10-year period after the date on which the option is duly accepted by the grantee in accordance with the terms of the Scheme.

The exercise price of share options is determinable by the directors, but must be at least the higher of (i) the closing price of the Company's shares on the date of grant; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotations sheets for the five business days immediately preceding the date of grant; and (iii) the nominal value of the Company's shares.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

26. SHARE OPTION SCHEME *(continued)*

The following share options were outstanding under the Scheme during the year:

	Year ended 30 June			
	2018		2017	
	Weighted average exercise price	**Number of options**	Weighted average exercise price	Number of options
	HK$ per share	***'000***	*HK$ per share*	*'000*
At 1 July	**2.214**	**2,740**	–	–
Granted during the year	**2.090**	**460**	2.214	2,740
At 30 June	**2.196**	**3,200**	2.214	2,740

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2018

Number of options	**Exercise price***	**Exercise period**
'000	***HK$ per share***	
904	**2.214**	**4-10-19 to 3-10-22**
904	**2.214**	**4-10-20 to 3-10-22**
932	**2.214**	**4-10-21 to 3-10-22**
460	**2.090**	**1-6-21 to 31-5-27**
3,200		

2017

Number of options	Exercise price*	Exercise period
'000	*HK$ per share*	
904	2.214	4-10-19 to 3-10-22
904	2.214	4-10-20 to 3-10-22
932	2.214	4-10-21 to 3-10-22
2,740		

* The exercise price of share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the share options granted during the year was HK$571,000 (2017: HK$2,251,000) and the Group recognised a share option expense of HK$595,000 during the year ended 30 June 2018 (2017: HK$431,000).

26. SHARE OPTION SCHEME *(continued)*

The fair value of equity-settled share options granted during the year was estimated as at the date of grant using the Binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

		Options granted on 4 October 2016	**Options granted on 28 May 2018**
Underlying stock price		HK$2.19	HK$2.09
Exercise price		HK$2.214	HK$2.09
Contractual option life		6 years	9 years
Risk-free rate		1.25%	2.86%
Expected dividend yield		0.00%	0.96%
Expected volatility of underlying shares		38%	64%
Exercise multiple	Directors:	2.80	N/A
	Employees:	2.20	2.20
Weighted average estimated fair value for each share option	Directors:	HK$0.8236	N/A
	Employees:	HK$0.8184	HK$1.2413

Expected volatility was determined by using the historical volatility of the similar industry as the Company's share price over the previous years. The expected volatility reflects the assumption that the historical volatility is indicative of future trends, which may also not necessarily be the actual outcome. The exit rate in the model has been adjusted, based on management's best estimate, for the effects of non-transferability, exercise restrictions and behavioural considerations.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the reporting period, the Company had 3,200,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 3,200,000 additional ordinary shares of the Company and additional share capital of HK$32,000 (before issue expenses) and share premium of HK$9,818,000 (after transfer of the share options' fair value from the share option reserve upon exercise).

At the date of approval of these financial statements, the Company had 3,200,000 share options outstanding under the Scheme, which represented approximately 0.9% of the Company's shares in issue as at that date.

27. RESERVES

The amounts of the Group's reserves and the movements therein for the current and prior years are presented in the consolidated statement of changes in equity on page 83 of the financial statements.

28. NOTE TO THE STATEMENT OF CASH FLOWS

Major non-cash transactions

During the year, the acquisition of property, plant and equipment included the provision for reinstatement costs of HK$1,848,000 (2017: HK$851,000) included in the other payables and accruals.

29. OPERATING LEASE ARRANGEMENTS

As lessee

The Group has leased certain of its medical centres and office properties under operating lease arrangements. Leases for properties are negotiated for terms ranging from one to five years.

At 30 June 2018, the Group had total minimum lease payments under non-cancellable operating leases falling due as follows:

	2018	2017
	HK$'000	*HK$'000*
Within one year	**55,337**	57,792
In the second to fifth years, inclusive	**43,878**	33,955
	99,215	91,747

30. CAPITAL COMMITMENTS

In addition to the operating lease commitments detailed in note 29 above, the Group had the following capital commitments.

	2018	2017
	HK$'000	*HK$'000*
Contracted, but not provided for:		
Medical equipment	**215**	180
IT equipment	**175**	–
Furniture and fixtures	**7**	–
Leasehold improvements	**382**	–
	779	180

31. RELATED PARTY TRANSACTIONS

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	Relationship	Nature	2018 HK$'000	2017 HK$'000
Max Health Chinese Medicine Limited	(1)			
Management fee income		(i)	**159**	138
Maxland Limited	(2)			
Rental expenses		(ii)	**2,838**	3,050
Fees payable to doctors and dentists who are related parties	(3)	(iii)	**45,227**	44,163
Prime Asia Limited	(4)			
Service fee income		(iv)	**–**	12

Nature of transactions

(i) The management fee income was received from this party for the provision of general administrative and accounting services thereto by the Group. The fee has been charged based on an allocation of the headquarter expenses incurred by the Group to this related party based on the number of service points.

(ii) The rental expenses were charged by this related party for the leases of two medical centres at a total amount of HK$237,000 (2017: HK$308,000) per month, on a mutually agreed basis, which approximated to market rates.

(iii) The fees represented the professional fees payable to these doctors and dentists for their professional services rendered to the Group. The fees were determined based on the terms as set out in the respective service contracts entered into by the parties and at a rate considered by the directors to be the market rate.

(iv) The service fee income received from this related party represented medical services provided to the staff of this related party pursuant to a corporate medical agreement entered into between the parties. The terms offered to this related party were comparable to those offered to other external customers.

Relationship of related parties

(1) Mr. Chan Kin Ping, a controlling shareholder of the Company, was the beneficial shareholder of this related party.

(2) Mr. Chan Kin Ping and Dr. Pang Lai Sheung, controlling shareholders of the Company, have beneficial interests in these related parties.

31. RELATED PARTY TRANSACTIONS *(continued)*

(a) In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year: *(continued)*

Relationship of related parties *(continued)*

(3) These doctors and dentists are also directors of certain subsidiaries of the Group or senior management of the Group.

(4) A director of one of the Group's subsidiaries is also the beneficial shareholder of this related party.

(b) Outstanding balances with a related party

	Note	2018 HK$'000	2017 HK$'000
Due from a related party			
Max Health Chinese Medicine Limited	(i)	**26**	29

(i) This related party is beneficially owned by the controlling shareholders of the Group.

The balance with this related party is unsecured, interest-free and has no fixed terms of repayment.

(c) Commitments with a related party

During the year ended 30 June 2018, a subsidiary of the Group, as the lessee, entered into tenancy agreements with Maxland Limited, a related company of the Group, for leasing two medical centres for a term of two years. The rental expenses paid to Maxland Limited for the year are disclosed in note 31(a)(ii) to the financial statements. As at 30 June 2018, the total operating lease commitments due within one year, and two to five years were HK$2,536,000 (2017: HK$2,382,000) and HK$2,536,000 (2017: Nil), respectively.

(d) Compensation of key management personnel of the Group

	2018 HK$'000	2017 HK$'000
Salaries, allowances and benefits in kind	**8,057**	8,337
Equity-settled share option expense	**334**	246
Pension scheme contributions	**72**	72
	8,463	8,655

Further details of Directors' emoluments are included in note 7 to the financial statements.

The related party transactions in respect of note (a) items (i), (ii) and (iv) and fees payable to Dr. Chan Siu Yu, Dr. Choi Tat Fai, Richard, Dr. Lau Wai Man and Dr. Seto Siu Keung included in item (iii) above also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Listing Rules.

32. FINANCIAL INSTRUMENTS BY CATEGORY

The carrying amounts of each of the categories of financial instruments as at the end of the reporting period are as follows:

Financial assets

	Loans and receivables HK$'000	Available-for-sale financial assets HK$'000	Total HK$'000
2018			
Available-for-sale investment	**–**	**3,500**	**3,500**
Financial assets included in prepayments, deposits and other receivables	**36,465**	**–**	**36,465**
Trade receivables	**31,936**	**–**	**31,936**
Due from a related party	**26**	**–**	**26**
Pledged deposits	**2,039**	**–**	**2,039**
Cash and cash equivalents	**187,747**	**–**	**187,747**
	258,213	**3,500**	**261,713**
2017			
Financial assets included in prepayments, deposits and other receivables	25,270	–	25,270
Trade receivables	31,451	–	31,451
Due from a related party	29	–	29
Pledged deposits	2,039	–	2,039
Cash and cash equivalents	170,806	–	170,806
	229,595	–	229,595

Financial liabilities

	Financial liabilities at amortised cost	
	2018 HK$'000	2017 HK$'000
Financial liabilities included in other payables and accruals	**5,740**	3,950
Trade payables	**25,441**	23,663
	31,181	27,613

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS

At the end of the reporting period, the carrying amounts and fair value of the Group's financial instruments, other than those with carrying amounts that reasonably approximate to fair values, are as follows:

Financial assets

As at 30 June 2018

	Carrying amount *HK$'000*	Fair value *HK$'000*
Available-for-sale investment	**3,500**	**3,500**
Deposits, non-current portion	**27,495**	**27,495**
	30,995	**30,995**

As at 30 June 2017

	Carrying amount *HK$'000*	Fair value *HK$'000*
Deposits, non-current portion	15,912	15,912

Management has assessed that the fair values of the current portion of deposits, other receivables, trade receivables, an amount due from a related party, cash and cash equivalents, trade payables and other payables approximate to their carrying amounts largely due to the short term maturities of these instruments.

The fair values of the financial assets and liabilities are included at the amount at which the instruments could be exchanged in a current transaction between willing parties, other than in a forced or liquidation sale.

The fair values of the non-current portion of deposits have been calculated by discounting the expected future cash flows using rates currently available for instruments with similar terms, credit risk and remaining maturities, which approximate to their carrying amounts.

The fair value of unlisted available-for-sale equity investment has been estimated based on market prices of recent transactions of the investment. The directors believe that the estimated fair value resulting from the recent market prices, which is recorded in the consolidated statement of financial position, and the related changes in fair values, which is recorded in other comprehensive income, is reasonable, and that it was the most appropriate value at the end of the reporting period.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy

The following tables illustrate the fair value measurement hierarchy of the Group's financial instruments:

Assets measured at fair value:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Available-for-sale investment:				
Equity investment	**–**	**–**	**3,500**	**3,500**

The Group did not have any financial assets measured at fair value as at 30 June 2017.

The movements in fair value measurements within Level 3 during the year are as follows:

	HK$'000
Available-for-sale investment – unlisted	
At 1 July 2016, 30 June 2017 and 1 July 2017	–
Purchase	3,500
At 30 June 2018	3,500

Liabilities measured at fair value:

The Group did not have any financial liabilities measured at fair value as at 30 June 2018 and 2017.

33. FAIR VALUE AND FAIR VALUE HIERARCHY OF FINANCIAL INSTRUMENTS *(continued)*

Fair value hierarchy *(continued)*

Assets for which fair values are disclosed:

As at 30 June 2018

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	**Significant observable inputs (Level 2)**	**Significant unobservable inputs (Level 3)**	**Total**
	HK$'000	***HK$'000***	***HK$'000***	***HK$'000***
Deposits, non-current portion	**–**	**27,495**	**–**	**27,495**

As at 30 June 2017

	Fair value measurement using			
	Quoted prices in active markets (Level 1)	Significant observable inputs (Level 2)	Significant unobservable inputs (Level 3)	Total
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*
Deposits, non-current portion	–	15,912	–	15,912

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The main risks arising from Group's financial instruments are credit risk and liquidity risk. The directors review and agree policies for managing each of these risks and they are summarised below.

Credit risk

The Group trades only with recognised and creditworthy third parties. It is the Group's policy that all customers who wish to trade on credit terms are subject to credit verification procedures. In addition, receivable balances are monitored on an ongoing basis and the Group's exposure to bad debts is not significant. Further quantitative data in respect of the Group's exposure to credit risk arising from trade receivables are disclosed in note 18 to the financial statements.

With respect to credit risk arising from other financial assets of the Group, which comprise cash and cash equivalents, financial assets included in other receivables, and an amount due from a related party, the Group's exposure to credit risk arises from the default of the counterparties, with a maximum exposure equal to the carrying amounts of these financial assets in the consolidated statement of financial position.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Liquidity risk

The Group's objectives are to maintain a prudent financial policy, to monitor liquidity ratios against risk limits and to maintain contingency plan for funding to ensure that the Group maintains sufficient cash to meet its liquidity requirements.

The maturity profile of the Group's financial liabilities as the end of the reporting period based on the contractual undiscounted payments is as follows:

	On demand *HK$'000*	Less than 3 months *HK$'000*	Total *HK$'000*
As at 30 June 2018			
Financial liabilities included in other payables and accruals	**–**	**5,740**	**5,740**
Trade payables	**–**	**25,441**	**25,441**
	–	**31,181**	**31,181**
As at 30 June 2017			
Financial liabilities included in other payables and accruals	–	3,950	3,950
Trade payables	–	23,663	23,663
	–	27,613	27,613

Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business.

The Group manages its capital structure and make adjustments to it in light of changes in economic conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares. No changes were made in the objectives, policies or processes for managing capital during the years ended 30 June 2018 and 30 June 2017.

34. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES *(continued)*

Capital management *(continued)*

The Group monitors capital using a gearing ratio, which is net debt divided by the adjusted capital plus net debt. Net debt includes trade payables and other payables and accruals, less cash and cash equivalents and pledged deposits. Total capital represents equity attributable to the owners of the Company. The gearing ratios as at the end of the reporting periods were as follows:

	2018	2017
	HK$'000	*HK$'000*
Trade payables	**25,441**	23,663
Other payables and accruals	**36,537**	31,458
Less: Cash and cash equivalents and pledged deposits	**(189,786)**	(172,845)
Net cash	**(127,808)**	(117,724)
Equity attributable to owners of the Company	**273,580**	254,935
Capital and net debt	**145,772**	137,211
Gearing ratio	**N/A**	N/A

35. SUBSEQUENT EVENT AFTER THE REPORTING PERIOD

On 21 September 2018, (i) We Health International Limited, a wholly owned subsidiary of the Company (the "**Subscriber**"); (ii) ASANA Global Group Limited (the "**Target Company**"); and (iii) Mr. Ling Ka Him Samuel ("**Mr. Ling**") entered into a subscription agreement ("**Subscription Agreement**") pursuant to which the Target Company shall issue and the Subscriber shall subscribe 5 percent guaranteed fixed rate convertible bonds due in 2021 in the principal amount of HK$10,300,000 (the "**Convertible Bonds**"). The Convertible Bonds at its full value were issued to the Subscriber by the Target Company on 21 September 2018.

On 21 September 2018, (i) the Subscriber as lender; (ii) the Target Company as borrower; and (iii) Mr. Ling as guarantor entered into a HK$30,950,000 secured term loan facility agreement ("**Facility Agreement**") pursuant to which (i) the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$17,200,000 at an interest rate of 2% per annum ("**Facility A**"); and (ii) if the Target Company utilises Facility A in full, the Subscriber shall at its sole discretion make available to the Target Company a Hong Kong dollar term loan facility made available under the Facility Agreement in an aggregate amount of HK$13,750,000 at an interest rate of 5% per annum ("**Facility B**"). As at the date of this report, a loan of HK$5,000,000 under Facility A has been made to the Target Company.

Details of the Subscription Agreement and the Facility Agreement are set out in the announcement of the Company dated 21 September 2018.

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY

Information about the statement of financial position of the Company at the end of the reporting period is as follows:

	2018 HK$'000	2017 HK$'000
NON-CURRENT ASSETS		
Investments in subsidiaries	**99**	99
CURRENT ASSETS		
Prepayments, deposits and other receivables	**203**	204
Amounts due from subsidiaries	**123,705**	125,182
Dividend receivable from a subsidiary	**18,000**	15,000
Cash and cash equivalents	**36,441**	38,137
Total current assets	**178,349**	178,523
CURRENT LIABILITIES		
Other payables and accruals	**804**	814
NET CURRENT ASSETS	**177,545**	177,709
Net assets	**177,644**	177,808
EQUITY		
Share capital	**3,615**	3,615
Reserves (Note)	**174,029**	174,193
Total equity	**177,644**	177,808

36. STATEMENT OF FINANCIAL POSITION OF THE COMPANY *(continued)*

Note:

A summary of the Company's reserves is as follows:

	Share premium *HK$'000*	Other reserve *HK$'000*	Share option reserve *HK$'000*	Retained profits *HK$'000*	Total *HK$'000*
At 1 July 2016	164,951	99	–	13,410	178,460
Profit and total comprehensive income for the year	–	–	–	6,147	6,147
Dividend declared	–	–	–	(10,845)	(10,845)
Equity-settled share option arrangements	–	–	431	–	431
At 30 June 2017 and 1 July 2017	164,951	99	431	8,712	174,193
Profit and total comprehensive income for the year	–	–	–	6,471	6,471
Dividend declared	–	–	–	(7,230)	(7,230)
Equity-settled share option arrangements	–	–	595	–	595
At 30 June 2018	164,951	99	1,026	7,953	174,029

37. APPROVAL OF THE FINANCIAL STATEMENTS

The financial statements were approved and authorised for issue by the board of directors on 26 September 2018.

Five Years' Financial Summary

A summary of the results and of the assets, liabilities and non-controlling interest of the Group for the last five financial years, as extracted from published audited financial statements and restated/reclassified as appropriate, is set out below:

	Year ended 30 June				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Revenue	365,246	429,538	498,576	481,147	**518,020**
Net profits attributable to					
Owners of the parent	38,748	33,727	23,431	13,469	**24,111**
Non-controlling interest	2,009	1,991	–	(878)	**(946)**
	40,757	35,718	23,431	12,591	**23,165**

	As at 30 June				
	2014	2015	2016	2017	**2018**
	HK$'000	*HK$'000*	*HK$'000*	*HK$'000*	***HK$'000***
Total assets	154,130	231,920	319,111	320,177	**343,406**
Total liabilities	(56,082)	(116,921)	(104,409)	(63,636)	**(69,166)**
Non-controlling interest	(9,744)	–	–	(1,606)	**(660)**
	88,304	114,999	214,702	254,935	**273,580**